Risk management and internal control *continued*

Principal risk	Key risk drivers	How we manage the risk
8. Safety and health **Protect the safety and health of all Capita's employees and manage our duty of care to them, the people we work with and those affected by our acts and omissions.** **Executive owners:** Chief General Counsel and Divisional EOs	• Immature practical approach and lack of ownership and accountability across Capita • Inadequate HSE capability, capacity and structure • Inadequate incident and near miss reporting and analysis • Lack of standardised and reliable health data	As a responsible employer we are committed to the health, safety and wellbeing of our employees and the people we work with. **Mitigating actions** • Assurance programme for wellbeing, HSE, occupational health, and safeguarding • Pan-Capita HSE team reporting lines, structure, and capability/capacity review • Health data collection and analysis • Framework of safety and health policies, standards and processes including mandatory training • Accidents, incidents, near misses and hazards reporting along with divisional/Group incident analysis/investigation and lessons learned • Incident management in line with Group policies, standards and procedures **Future mitigations** • Expand proactive occupational health intervention programme in Capita UK • Reconfigure reporting lines, structure, and capacity of divisional HSE team
9. Data governance and data privacy **Manage our data effectively (both clients and Capita) as a strategic asset across the organisation.** **Executive owners:** Chief General Counsel and Chief Technology Officer	• Inconsistent data governance framework, practices or technology to manage data • Lack of awareness of regulatory (especially data privacy) obligations • Lack of understanding of what data we have, where it is stored and who owns it	Data is the lifeblood of Capita and a strategic asset that we will manage to improve client value and citizens' lives, allow risk to be managed more effectively, elevate trust with stakeholders, increase growth, enable business efficiency, and enable technological innovation and digital transformation. Capita has appointed a Chief Data Officer to drive transformation in this space in 2024. **Mitigating actions** • Data privacy policies, standards, procedures and mandatory data privacy training **Future mitigations** • Implement data governance control framework • Embed data privacy processes through the allocation of appropriate resourcing by the businesses and functions, in accordance with already promulgated Group data privacy policy and standards

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group and Parent Company over the three-year period to 31 December 2026, aligned with the period of the Group's 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.

In its assessment of the Group's viability, the Board has considered the following:

- Adjusted revenue growth in 2023 of 1.3%.
- The cost reduction programmes being implemented during 2024.
- The completion of the Portfolio non-core business disposal programme in January 2024.
- The repayment of £113m of financial debt in 2023, with no further repayments scheduled in 2024.
- The renewal of the revolving credit facility in 2023 until 31 December 2026 and the issuance of £101.9m US private placement debt with a mixture of three and five-year maturities.
- Agreement with the Trustees of the Group's main defined benefit pension scheme that no further deficit recovery contributions are required from the Group in 2025 and beyond.

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

- Further adjusted revenue growth beyond 2024 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.
- Delivery of cost savings.
- A transition to positive free cash flow generation reflecting the above assumptions and the cessation of pension deficit contributions with effect from 2025.

The most material assumptions, from a viability assessment perspective, relate to the continuation of adjusted revenue growth, operating profit margin expansion, and delivery of cost savings.

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 2023 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.

Reflecting the Board's expectations of improving financial performance, as set out above, and its confidence in the Group's ability to refinance maturing debt over the viability assessment period, 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

5 March 2024

Capita plc

Registered in England and Wales No.2081330

Corporate governance

Corporate governance

Chairman's report

"The Board strongly believes that good governance is a key part of the strength of our business and that by reviewing and monitoring our existing practices we can ensure that our governance continues to evolve and is aligned to our business and its needs"

David Lowden, Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to introduce the Company's corporate governance report for the year ended 31 December 2023.

2023 was my first full year as Chairman, following my appointment in May 2022.

Corporate governance

This 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.

Company purpose and culture, and Board decision making

We recognise that the Board 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 deliver our strategy for all stakeholders – our people, clients and customers, suppliers and partners, investors, and society. We fully understand our obligations to consider the interest of all our stakeholders when making decisions, but we recognise that in certain instances the interests of our differing stakeholders may conflict, presenting challenging decisions for the Board and senior management.

During the year, principal issues for the Board's focus included: responding to the cyber incident which occurred in late March; CEO succession planning; the Company's operational and financial performance; and capital allocation considerations.

The Board considered and approved actions to improve the Company's financial performance and position, which is in the interests of all stakeholders. This included the issuance of the US private placement notes in July and the extension of the maturity of the Group's revolving credit facility, improving the Group's debt profile and, in November, commencement of the restructuring programme intended to deliver £60m of annualised cost savings from Q1 2024.

The Board and the Audit and Risk Committee spent considerable time during the year focusing on the cyber incident, and the subsequent acceleration of investment to improve further the cyber maturity profile of the Group. In addition, the Company undertook an extensive organisational review and, as announced on 21 November 2023, commenced a consultation programme expected to deliver cost savings of £60m on an annualised basis from Q1 2024, with approximately 900, principally indirect, support function and overhead roles 'at risk' of redundancy. While the Board recognised the impact on some of our colleagues, we considered that this decision, which would contribute to a more sustainable future for Capita, was in the long-term interests of the Company and our stakeholders as a whole. Capita provided support to affected colleagues during the initial consultation process, which concluded in early 2024.

Our s172 statement, which details how the Board considers the views of its stakeholders and principal Board decisions during 2023, is on pages 45 to 48.

Board succession planning and composition

Chief Executive Officer (CEO) successor

As announced on 31 July 2023, Jon Lewis informed the Board in 2022, that he was interested in exploring his future options, including eventual retirement from Capita and handover to a new CEO, once the business had pivoted to growth and a potential successor had been identified. Following these discussions, the Board commenced a succession-planning process.

Jon stood down from his role as CEO and from the Board on 17 January 2024, and was succeeded by Adolfo Hernandez. Jon will remain in the business until July to ensure an orderly transition. Adolfo was chosen by the Board after a rigorous selection process.

Prior to his appointment as CEO, Adolfo was the Vice President of Amazon Web Services Global Telecommunications business, which is focused on enabling digital transformation to the cloud for customers around the globe. During his 30-year career in the technology sector, Adolfo has achieved an excellent record in accelerating revenue growth driven by digital services. We were pleased to welcome Adolfo as our CEO in January and believe that his experience and skillset will be key to delivering our strategic priorities. Further information on Adolfo's skills and experience are provided in his biography on page 70 of this corporate governance report and details of the selection process we followed are provided in my Nomination Committee report on pages 79 to 83.

On behalf of the Board, I would like to express our sincere thanks to Jon and pay tribute to his significant commitment and achievements at Capita since he joined in December 2017, including leading the successful transformation of the Group. He has shown outstanding leadership and determination in rebuilding Capita from the ground up. Jon has refocused, strengthened and returned the business to growth, while rebuilding client trust and improving colleague engagement. I also want to commend him for his leadership throughout the period following the cyber incident, during which Jon decided to delay his possible retirement from Capita.

Non-executive directors

John Cresswell decided to step down from the Board on 31 March 2023. On behalf of the Board, I would like to thank John for his commitment and valuable contribution to the Board during his seven-year tenure as a director. We welcomed Claire Miles to the Board as an independent Non-Executive Director on 12 May 2023. Shortly after Claire's appointment to the Board, she was offered the position of chief executive officer of Stagecoach, the UK's largest bus and coach operator. Due to Claire's new executive role, she informed the Board in December that she would be unable to devote the appropriate time to her role at Capita and would therefore resign as a director. Claire stepped down from the Board on 31 December 2023. The Board fully understood Claire's decision and recognises that each director needs to have sufficient time to dedicate to their role.

The Nomination Committee considers other commitments of our directors annually to ensure that each director is able to allocate sufficient time to Capita to discharge their responsibilities and I discuss this with each director during my one-to-one meetings with them. The Board does, however, recognise that the ability of directors to share their experiences and expertise from other positions is of value to the Company.

The Board strongly believes that good governance is a key part of the strength of our business and that by reviewing and monitoring our existing practices we can ensure that our governance continues to evolve and is aligned to our business and its needs. This includes assessing our governance structure and, in December 2023, having concluded the Portfolio disposal programme and streamlined the Group, culminating in just two divisions – Public Service and Experience, the Board agreed that while having an employee director on the Board had been successful, this was not suitable for the business going forward, and that instead the Board should ensure that there is broader engagement with colleagues. Consequently, Janine Goodchild our Employee Non-Executive Director stepped down from the Board on 31 December 2023. It is the intention of the Board to increase its visibility with our wider workforce and the Board has appointed Nneka Abulokwe as the designated non-executive director to engage with our workforce. In addition, individual site visits will be arranged for our independent non-executive directors to meet with colleagues.

On behalf of the Board, I would like to thank Claire and Janine for their valuable contributions.

2024 AGM

Our AGM will be held on 21 May 2024. This provides an opportunity for our shareholders to meet with our directors and I hope you will be able to attend.

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 pleased to receive any feedback you may have.

David Lowden
Chairman

5 March 2024

Governance at a glance

The Board is collectively responsible for promoting Capita's long-term sustainable success, generating value for shareholders, and contributing to wider society. To assist in providing effective oversight and leadership, the Board has established the following committees:

Capita Board

- **Group Audit and Risk Committee (ARC)**
- **Remuneration Committee (RemCo)**
- **Nomination Committee (NomCo)**
- **Environmental, Social and Governance Committee (ESGCo)**

Executive Team

The Group has an Executive Team to manage Capita's business day to day. Further information on our governance structure is available throughout this corporate governance report.

Board changes during 2023 and 2024 to date

31 March 2023	12 May 2023	31 July 2023	31 December 2023	17 January 2024
John Cresswell stepped down as an independent non-executive director	Claire Miles was appointed as an independent non-executive director	The Company announced the proposed retirement of Jon Lewis as CEO and a Director, to be succeeded by Adolfo Hernandez	Claire Miles and Janine Goodchild stepped down from the Board	Jon Lewis stepped down as CEO and a Director, succeeded by Adolfo Hernandez

Details of succession planning for the new CEO are provided in the Nomination Committee report on pages 79 to 83

Governance highlights

During 2023 our governance framework supported our strategic delivery in a number of ways, including:

- **Board oversight of the completion of the Portfolio disposal programme**
- **Consideration and approval of extension of revolving credit facility and issuance of US private placement notes**
- Reviewing the Group's capital allocation policy
- Reviewing the results of the triennial pension valuation
- Board focus on the cyber incident
- Conducting an internal Board and Committee evaluation
- Reviewing and approving the supplier charter
- Reviewing the outcome of the colleague survey
- Reviewing the remuneration policy for executive directors to be proposed to shareholders at the 2024 annual general meeting
- Search and identification of new CEO to succeed Jon Lewis upon his retirement and appointment of new Independent Non-Executive Director

Governance at a glance *continued*

Board composition at 31 December 2023 and 5 March 2024 (the date of this report)

Independence (excluding Chairman)				Tenures				Gender representation in senior Board positions		Gender diversity		Ethnic diversity	
Member 31/12/2023	**Independent %**	**Member 05/03/2024**	**Independent %**	**31/12/2023**		**05/03/2024**		**31/12/2023**	**05/03/2024**	**31/12/2023**	**05/03/2024**	**31/12/2023**	**05/03/2024**
				Years	**No.**	**Years**	**No.**						
Chairman		**Chairman**		>4	2	>4	1	David Lowden, Chairman Jon Lewis, CEO Tim Weller, CFO	David Lowden, Chairman Adolfo Hernandez, CEO Tim Weller, CFO	4 Male (44%)	**4 Male (57%)**	7 White (78%)	**5 White (71%)**
CEO/CFO	62.5	**CEO/CFO**	67	2–3	3	2–3	3	Georgina Harvey, Senior Independent Director	Georgina Harvey, Senior Independent Director	5 Female (56%)	**3 Female (43%)**	2 Persons of colour (22%)	**2 Persons of colour (29%)**
5 INEDs		**4 INEDs**		1–2	3	1–2	2						
Employee Director				<1	1	<1	1						

1. Claire Miles resigned as a director on 31 December 2023.
2. Janine Goodchild resigned as employee director on 31 December 2023.
3. Adolfo Hernandez was appointed as Chief Executive Officer on 17 January 2024, following the retirement of Jon Lewis.

Board skills and experience

Director	Government contracting	Regulated businesses	Business process outsourcing	Consulting	Account management	Technology and/or digital	Transformation and strategy	Cyber security	Finance	International	Sustainability
David Lowden							•		•	•	
Adolfo Hernandez	•	•		•	•	•	•	•		•	•
Tim Weller	•	•	•				•		•	•	•
Nneka Abulokwe		•	•	•	•	•	•	•		•	•
Neelam Dhawan	•	•	•	•	•	•	•	•		•	
Georgina Harvey			•		•		•				•
Brian McArthur-Muscroft		•	•			•	•	•	•	•	•

Board of Directors

Key to committees

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

Chairman

N E

David Lowden
Chairman

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

Independent at appointment: Yes

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

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

Executive Directors

N

Adolfo Hernandez
Chief Executive Officer

Appointed: January 2024

Key skills and experience: Adolfo has c.30 years' experience in the technology sector, achieving an excellent record in accelerating revenue growth driven by digital services. Prior to joining Capita, Adolfo was Vice President of Amazon Web Services Global Telecommunications which is focused on enabling digital transformation to the cloud for customers across the globe. Former positions include: CEO of SDL plc (now part of RWS Group); and CEO of Acision (now part of Mavenir).

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

External appointments: None.

Tim Weller
Chief Financial Officer

Appointed: May 2021

Key skills and experience: before joining Capita, Tim was at G4S for five years as its CFO and for three years before that as a Non-Executive Director. He has many years' experience as a CFO with Innogy, RWE Thames Water, United Utilities, Cable & Wireless Worldwide plc and Petrofac. He qualified as a Chartered Accountant at KPMG, becoming a partner in 1997. He was a Non-Executive Director of The Carbon Trust from June 2007 to September 2023.

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

External appointments:
Independent Council Member of the University of Exeter.

Independent Non-Executive Directors

A N R E

Georgina Harvey
Senior Independent Director

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

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

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

Board members *continued*

Independent Non-Executive Directors

Brian McArthur-Muscroft

Appointed: June 2022

Key skills and experience: Brian was formerly the Chief Financial Officer of Qontigo, a financial intelligence and investment management business. Prior to this he was Group Chief Financial Officer at Micro Focus International plc, a FTSE 100 global infrastructure software company. Former roles include CFO at Paysafe Group plc leading the business to a FTSE 250 listing in 2016 and Group FD at Telecity Group plc. 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: Brian is the Group CFO at IQ-EQ, a Global Investor Services company.

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 institutions globally. She held senior and executive positions with Logica (now CGI), Atos and Sopra Steria, in a corporate career of more than 25 years, before founding MicroMax Consulting, where she is currently CEO. Nneka was also an External Member of the University of Cambridge Audit and Risk Committee. Nneka was awarded an OBE in 2019 for services to business.

Other current appointments: NED, Davies Group; Director of MicroMax Consulting Limited; Adviser, Cranfield School of Management Advisory Board and DoGood Africa. Member of Board of Visitors of Oxford University Ashmolean Museum.

Neelam Dhawan

Appointed: March 2021

Key skills and experience: Neelam has c.40 years experience in the IT industry, where she held senior positions in Hewlett-Packard, Microsoft, Compaq and IBM with responsibility for a wide range of areas including strategy, corporate development, software engineering and offshoring. She now advises multinationals on business and technology transformation and, until recently was an advisor to IBM, helping them navigate through a business and talent transformation in India. Until 2023 Neelam was a director of Skylo Technologies Inc. and a member of the Koninklijke Philips NV Supervisory Board.

Other current appointments: Non-Executive Director of ICICI Bank Limited, Yatra Online Inc and Hindustan Unilever Limited and Capillary Technologies.

Directors who served during 2023

John Cresswell stepped down from the Board as Non-Executive Director on 31 March 2023.

Claire Miles was appointed as a Non-Executive Director on 12 May 2023 and stepped down from the Board on 31 December 2023.

Janine Goodchild stepped down from the Board as Employee Non-Executive Director on 31 December 2023.

Corporate governance report

UK Corporate Governance Code compliance

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

The Board and its Committees note the publication of the UK Corporate Governance Code 2024 (the 2024 Code) published on 22 January 2024, which will apply to accounting periods beginning on or after 1 January 2025, other than Provision 29, which will apply to accounting periods beginning on or after 1 January 2026. The Board has commenced a review of the amended provisions contained within the 2024 Code.

Together with the Directors' remuneration report on pages 96 to 118, this report sets out the Board's approach to governance and the work undertaken over the year. During 2023, we complied with all relevant provisions set out in sections 1 to 5 of the Code except for Provision 24 which provides that audit committees should comprise independent non-executive directors. Janine Goodchild who was a member of the Audit and Risk Committee (ARC) during 2023 was a non-executive employee director and was not considered as independent. However, the Board considered that the formal appointment of Janine to ARC continued to demonstrate how the Group values diversity of perspective and that this is considered more important than a purely compliance-driven approach to the Code. Janine stepped down from the Board on 31 December 2023. Following Janine's resignation, ARC comprises solely independent non-executive directors.

Following Janine's resignation, the Board has appointed Nneka Abulokwe as designated non-executive director for colleague engagement, in compliance with Code Provision 5, and is also considering wider engagement with colleagues. Further information is provided on page 67. Our new CEO, Adolfo Hernandez, has commenced a series of breakfast meetings at different Capita locations to meet with colleagues. In addition, Georgina Harvey, Remuneration Committee chair, has ongoing colleague engagement in respect of executive remuneration and considers feedback from these meetings which is shared with her fellow Committee members and the Board. Further details are included in the Directors' remuneration report on page 100.

Further information about how the Company has applied the principles of the Code is set out in this corporate governance report. Key highlights of the Company's compliance with the Code together with cross references to other sections of the Annual Report are detailed in the table opposite.

How we apply the principles of the Code

Governance structure and division of responsibilities

The Board

Role of the Board

The Board is responsible for promoting Capita's long-term success. This is achieved through effective governance and keeping the interests of stakeholders at the fore in decision making. The Board establishes the Group's purpose and values and sets the Group's strategy, ensuring alignment with our culture, and overseeing its implementation by management. The Board is responsible for oversight of the Group's governance, financial reporting, internal controls, and risk management, including the Group's risk appetite.

A full schedule of matters reserved for the Board's decision is available in the Corporate Governance section of the Company's website at www.capita.com.

Board composition and election

Our Board currently comprises seven members: the Chair, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and four independent Non-Executive Directors who are experienced individuals, drawn from a wide range of industries and backgrounds with the skills to promote the long-term sustainable success of the Group.

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

All Directors are appointed to the Board for an initial fixed three-year term, subject to annual re-election by shareholders at the Company's AGM. In accordance with the Code, all Directors will retire and offer themselves for election or re-election at the 2024 AGM to be held on 21 May 2024.

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 120. The Board believes that each of the non-executive directors 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 interest of the Group. The employee non-executive director was not considered as independent during 2023, given her status as an employee of the Group.

The Code does not consider a chairman to be independent due to the unique position the role holds in corporate governance. David Lowden met the independence criteria outlined in the Code when he was appointed as the Group's chairman in 2022. The Board is satisfied that no conflict of interest for any director requires disclosure, see page 120.

Directors' biographies, tenures, key skills and experience, and external appointments are set out on pages 70 to 71.

The Board delegates certain matters to its four principal committees:

Nomination Committee Chair: David Lowden	Audit and Risk Committee Chair: Brian McArthur-Muscroft	Remuneration Committee Chair: Georgina Harvey	ESG Committee Chair: David Lowden
Membership: 6 Chairman, 4 Independent Non-Executive Directors + CEO	Membership: 4 All Independent Non-Executive Directors	Membership: 4 All Independent Non-Executive Directors	Membership: 3 Chairman and 2 Independent Non-Executive Directors
• Reviews composition of the Board. • Recommends appointments of new directors. • Ensures plans are in place for orderly succession to both the Board and senior management positions. • Overseas development of diverse pipeline for succession.	• Reviews accounting policies and contents of financial reports. • Monitors internal control environment. • Considers adequacy, effectiveness, and scope of external and internal audit programme. • Overseas relationship with external auditor. • Monitors risk profile and obtains assurance that principal risks have been properly identified and appropriately managed.	• Sets remuneration policy and principles for Board and senior management remuneration. • Approves incentive design and setting of targets. • Approves executive directors and senior management remuneration.	• Oversees the development of the Group's ESG strategy, monitoring its performance in relation to ESG matters. • Considers the adequacy of the Group's ESG policies and processes. • Oversees and monitors the Group's progress against its net zero emissions strategy. • Oversees and supports stakeholder engagement on ESG matters.
The Nomination Committee report can be found on pages 79 to 83.	The Audit and Risk Committee report can be found on pages 87 to 95.	The Directors' remuneration report can be found on pages 96 to 118.	The ESG Committee report can be found on pages 84 to 86.

Committee terms of reference are available on the Company's website at www.capita.com/about-capita/corporate-governance.

Executive Team
Chair: Adolfo Hernandez

The Executive Team is responsible for the execution of the Company's strategy and the day-to-day management of the business.

Disclosure Committee

The Disclosure Committee identifies and controls inside information or information which could become inside information and determines how and when that information is disclosed in accordance with applicable legal and regulatory requirements.

Supporting committees

The Executive Team operates a number of supporting committees that provide oversight on key business activities and risk. These include the executive ethics and risk committee and the Capita investment review committee.

Board leadership and roles

To ensure the Board performs effectively, there is a clear division of responsibilities between the leadership of the Board and the executive leadership:

Chairman

(David Lowden)

Leadership of the Board and ensuring its effectiveness on all aspects of its roles. This includes:

- Ensuring there is effective communication between the Board, management, shareholders, and the Group's wider stakeholders, while promoting a culture of openness and constructive debate;
- Ensuring that the views of all stakeholders are taken into consideration in the Board's decisions;
- Promoting the highest standards of corporate governance;
- Setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- Ensuring that directors receive accurate, timely and clear information; and
- Overseeing the annual Board performance review and addressing any actions.

Senior Independent Director

(Georgina Harvey)

The responsibility of this role includes:

- Acting as a sounding board for the Chairman on Board-related matters;
- Chairing meetings in the absence of the chairman;
- Acting as an intermediary for other directors when necessary;
- Leading the evaluation of the Chairman's performance;
- Being available to shareholders who wish to discuss matters which cannot be resolved otherwise; and
- Leading the search for a new Chair, when necessary.

Independent Non-Executive Directors

(Georgina Harvey, Brian McArthur-Muscroft, Nneka Abulokwe and Neelam Dhawan)

The responsibility of this role includes:

- Providing effective and constructive challenge to the Board;
- Scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance;
- Reviewing Group financial information and ensuring there are effective systems of governance, risk management and internal controls in place;
- Determining appropriate levels of remuneration of executive directors; and
- Having a prime role in appointing executive directors, and in succession planning.

Nneka Abulokwe has been appointed as the designated non-executive director for colleague engagement.

Chief Executive Officer

(Adolfo Hernandez)

The role of CEO is separate from that of Chairman to ensure that no one individual has unfettered powers of decision making. The CEO has responsibility for:

- The day-to-day running of all aspects of the Group's business;
- Developing and implementing the Group's strategy;
- Ensuring the effective implementation of Board decisions;
- Leading the Group's executive team; and
- Representing the Group to external stakeholders.

Chief Financial Officer

(Tim Weller)

The responsibility of this role includes:

- Supporting the CEO in developing the Group's strategy and its implementation;
- Representing the Group to external stakeholders;
- Ensuing that the Group has the appropriate financing structure and internal controls over financial reporting; and
- Oversight of the following key functions: Finance, Investor Relations, Internal Audit and Risk Management, Tax, Treasury, Insurance and Commercial.

Chief General Counsel & Company Secretary

(Claire Denton)

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 is secretary to the Board and all its committees.

Claire meets regularly with the Chairman and committee chairs and briefs them on areas of governance and committee requirements.

Independent advice: 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.

Corporate governance report *continued*

Board composition at:

	1 January 2023	31 December 2023	5 March 2024 (the date of this report)
Chairman	David Lowden[1]	David Lowden	David Lowden
Chief Executive Officer	Jon Lewis[2]	Jon Lewis[2]	Adolfo Hernandez[2]
Chief Financial Officer	Tim Weller	Tim Weller	Tim Weller
Senior Independent Director	Georgina Harvey	Georgina Harvey	Georgina Harvey
Independent Non-Executive Director	Nneka Abulokwe	Nneka Abulokwe	Nneka Abulokwe
	John Cresswell[3]	–	–
	Neelam Dhawan	Neelam Dhawan	Neelam Dhawan
	Brian McArthur-Muscroft	Brian McArthur-Muscroft	Brian McArthur-Muscroft
	–	Claire Miles[4]	–
Employee Director	Janine Goodchild[5]	Janine Goodchild	–

1. David Lowden was independent on appointment as chairman in accordance with the Code.
2. Jon Lewis retired as CEO and a director on 17 January 2024, with Adolfo Hernandez appointed as CEO and a director on that date.
3. John Cresswell retired as a director on 31 March 2023, having served seven years as a non-executive director.
4. Claire Miles was appointed as a non-executive director on 12 May 2023 and stepped down as a director on 31 December 2023 following her appointment as chief executive officer of Stagecoach. Claire advised the board that due to her new executive position she did not consider that she would have sufficient time to dedicate to Capita to appropriately perform her role as a director.
5. Janine Goodchild stepped down as Employee Director on 31 December 2023. Further information is provided on page 67.
6. Further information on these changes and the Company's compliance with Code Provision 5 regarding the Board's engagement with colleagues is provided in the Nomination Committee report on pages 79 to 83.

Directors' interests

The interests of directors and their immediate families, who served during the year in the shares of the Company, together with details of executive directors' share options, are contained in the Directors' remuneration report set out on pages 96 to 118.

At no time during the year did any of the directors have a material interest in any significant contract with the Company or any of its subsidiaries.

Board meetings and attendance.

During 2023, the Board held seven scheduled meetings. The Board also held an in-depth strategy session in Leeds, England where Directors met with clients and colleagues. Additional ad hoc meetings were held as required. In 2023, these included several meetings in relation to and following the cyber incident on 31 March 2023 which was a principal focus for the Board. Meetings held outside the normal schedule need to be flexible and are principally held by video conference.

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

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	ESG Committee
David Lowden	7/(7)	N/A	N/A	4/(4)	6/(6)
Jon Lewis[1]	7/(7)	N/A	N/A	1/(1)	N/A
Tim Weller	7/(7)	N/A	N/A	N/A	N/A
Georgina Harvey[2]	7/(7)	5/(5)	5/(5)	4/(4)	6/(6)
Brian McArthur-Muscroft[3]	6/(7)	6/(6)	5/(5)	4/(4)	N/A
Nneka Abulokwe	7/(7)	N/A	5/(5)	4/(4)	6/(6)
John Cresswell[4]	3/(3)	1/(1)	N/A	0/(1)	3/(3)
Neelam Dhawan[5]	7/(7)	6/(6)	4/(5)	4/(4)	N/A
Janine Goodchild	7/(7)	6/(6)	N/A	N/A	6/(6)
Claire Miles[6]	7/(7)	3/(4)	N/A	1/(2)	2(3)

1. Jon Lewis recused himself from three Nomination Committee meetings during the year which considered succession planning for the role of CEO.
2. Georgina Harvey was appointed as a member of the Audit and Risk Committee on 31 March 2023.
3. Brian McArthur-Muscroft was unable to attend one Board meeting due to a late change in the Board meeting schedule which coincided with a prior business engagement.
4. John Cresswell stepped down from the Board and its Committees on 31 March 2023. He did not attend one Nomination Committee meeting during the year, recusing himself as this dealt with the appointment of his successor.
5. Neelam Dhawan was unable to attend one Remuneration Committee meeting due to a change in meeting date which conflicted with a prior business engagement.
6. Claire Miles joined the Board and the Remuneration, Audit and Risk, and ESG Committees on 12 May 2023. She was unable to attend one Audit and Risk Committee, Nomination Committee and ESG Committee meeting due to a previous business commitment which had been scheduled prior to her appointment as a director.

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. The Board and Committee agendas ensure that discussion is focused on key strategic issues and responsibilities, as well as reviews of significant issues arising during the year.

The chairman and non-executive directors held a closed session without management present at the end of several scheduled 2023 Board meetings. Throughout the year, Directors also devoted time to interviewing candidates for both executive and non-executive roles. The Chairman also held one-to-one individual review sessions with each executive director and each non-executive director.

Corporate governance report *continued*

Board effectiveness

The Board carries out effectiveness reviews annually.

The last external evaluation was undertaken by Independent Evaluation in 2021. Internal evaluations were performed during 2022 and 2023 and it is expected that the 2024 evaluation will be undertaken by an external party.

Key findings of the evaluation performed in 2022 are set out below together with actions taken during 2023:

Finding from 2022 evaluation	Action in 2023
Strategy – although noting the regular presentations from the chief executives (CEs) of Public Service and Experience, additional focus was requested by the Board on the divisions' strategic focus on digital solutions and margin improvements	During the year presentations to the Board from the CEs of Public Service and Experience included strategic focus on digital solutions and margin improvements. The Board discussed and debated these matters with the divisional CEs during Board meetings and the annual strategy meeting.
Stakeholders – the Board noted that further interaction with both clients and senior management would be beneficial.	During the year several members of the senior management team below the Executive Team level presented to the Board and/or its committees. The Board also attended a site visit to Leeds in September 2023, and met with all members of the Experience senior leadership team, colleagues working at call centres and clients.

The 2023 Board evaluation, and the evaluation of its committees, was undertaken internally 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.

Overall, the performance of the Board and its committees was viewed positively with progress made across many areas. Directors found Board and Committee meetings to be open and constructive. The relationship with the executive was seen positively, with their addressing of key issues recognised and their openness appreciated. The Board also considered its constitution and whether other options should be considered in relation to the Board's engagement with colleagues. Further information is included on page 72.

The following four principal areas were identified for actions:

Principal areas identified for action in the 2023 Board evaluation	Proposed action in 2024
Stakeholders – The Board requested: • additional focus on client feedback. • greater exposure of key supplier relationships. • increased interaction with colleagues (see below).	The Executive Team will ensure that the Board receives additional client feedback, and has greater information on key supplier relationships and increased interaction with colleagues.
Wider engagement with colleagues • The Board agreed that following the streamlining of the Group, the Board should have broader engagement with colleagues to include site visits by individual directors.	Site visits to various locations will be arranged for directors during 2024, who will then provide feedback to the Board.
Board meeting support – The Board requested further improvement in the quality of Board papers and formalisation of the process to review previous key decisions made by the Board.	The Chairman has discussed these matters with the Chief General Counsel and Company Secretary and actions have been undertaken to improve Board meeting support.
• The Board requested that the Company focused on certain strategic matters for the future to achieve its strategic priorities and improved financial performance.	Specific issues are being progressed by the new CEO together with relevant members of the Executive Team.
• The Board noted that the incoming CEO would require appropriate support.	A full onboarding programme was developed for Adolfo Hernandez who joined Capita as CEO on 17 January 2024. Adolfo has met, or will meet, with members of the Cabinet Office, representatives of major clients, certain major shareholders, senior management, and colleagues including visiting Capita's overseas locations in India, South Africa, and Germany.

An update on the 2024 actions will be provided in the Company's 2024 Annual Report.

Corporate governance report *continued*

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 Team 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. 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.

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. The Company's s172 statement together with principal decisions of the Board during 2023 is on pages 45 to 48.

Stakeholder engagement

As highlighted by the Code, the Board recognises the importance of identifying its key stakeholders and understanding their perspectives and values. Through regular dialogue and communication, the Board is mindful of all of Capita's stakeholders when planning or making decisions of strategic significance.

During 2023, the Board complied with Code Provision 5, engagement with the workforce, through its Employee Director, Janine Goodchild, who was appointed to the Board on 1 June 2022. The Board has valued Janine's contribution. In December 2023, the Board agreed that while having an employee director on the Board had been successful this was not suitable for the business going forward, and that instead the Board should ensure that there is broader engagement with colleagues. In this respect, the Board has appointed Nneka Abulokwe as designated non-executive director for colleague engagement. In addition, it has been agreed that directors will visit different sites during the year to meet with colleagues. Further information is provided on page 80. In September 2023, the Board met with clients and spoke to colleagues in some of the call centres managed by Capita, based in Leeds, on behalf of customers in the telecommunications sector. Photographs from this visit are included in this report. Following his appointment as CEO on 17 January 2024, Adolfo Hernandez has held a series of breakfast meetings with colleagues at various Capita locations.

There is an active engagement programme with the Company's investors. The executive directors meet regularly with institutional shareholders to discuss and obtain feedback on the business, performance, strategy, capital structure and allocation 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. This engagement included presentations to institutional shareholders and analysts following the release of the Group's half and full-year results (available on the Group's website www.capita.com). Our Chairman, David Lowden, and Georgina Harvey, Senior Independent Director, also met with a number of institutional shareholders during the year.

Topics discussed in investor meetings included the cyber incident, free cash flow generation, remuneration structure, operating margin improvement and the nomination committee's process for appointment of the new CEO.

The investor relations team has day-to-day responsibility for managing investor communications and always acts in close consultation with the Board. The Director of Investor Relations and representatives from the Company's brokers, Deutsche Numis and Barclays are invited to attend Board meetings during the year to provide investor feedback. The Investor Relations team also arranged specific ESG engagements with investors. 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. Analysts reports concerning Capita are circulated to the directors and the Board is kept informed of changes in the share register.

At the 2023 AGM, all resolutions were passed, with every resolution receiving more than 95% of votes cast in favour. The Board is grateful to shareholders for their continued support.

At the 2024 AGM the Company will be seeking approval of its directors' remuneration policy. In developing the policy, Georgina Harvey, chair of the Remuneration Committee, has engaged with our major shareholders and key proxy advisory bodies. Further information is included in the Directors' remuneration report on pages 99 to 107.

+ **Further information on how the Board has engaged with its key stakeholder groups can be found on pages 45 to 48**

Corporate governance report *continued*

Annual general meeting

Shareholders are encouraged to attend the AGM. The 2024 AGM of the Company will be held at Capita's offices at 65 Gresham Street, London EC2V 7NQ on 21 May 2024. Details of the meeting format and the resolutions to be proposed are set out in the Notice of Meeting, which will be sent to shareholders with the 2023 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.

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

The Chairman, Senior Independent Director and Committee chairs are expected to attend the 2024 AGM and will be available to answer any questions from shareholders.

Shareholder communications

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

Business relationships

Details regarding relationships with suppliers, clients and others, together with further cross references, are provided in the engaging with our stakeholders section on pages 45 to 48.

Remuneration Committee

Details of the Remuneration Committee and its activities are given in the Directors' remuneration report on pages 96 to 118.

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 57 to 59.

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 58 to 63.

Nomination Committee report

"Board succession planning has been an important area of focus for the Committee during 2023"

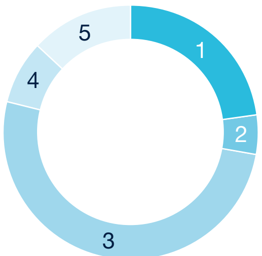
David Lowden, Chair, Nomination Committee

Principal role and responsibilities

As set out in the terms of reference, which are available on the Company's website, www.capita.com, the Nomination Committee is responsible for a number of key matters, including to:

- 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 requirements of the Group under review and ensure that plans are in place for orderly succession and appointment to the Board.
- Consider the independence, time commitment and performance of the Non-Executive Directors.
- Oversee development of a diverse pipeline for succession to the Executive Team.

Nomination Committee time allocation



1. Board appointments	23%
2. Employee director appointments	5%
3. Succession planning	51%
4. Diversity	8%
5. Governance	13%

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

Areas of focus in 2023

- Succession planning for the Chief Executive Officer.
- Recruitment and appointment of an independent non-executive director.
- Review of diversity and inclusion activities and measures.
- Review of senior management talent and Executive Team succession planning.
- Consideration of the contributions and effectiveness of the Non-Executive Directors seeking re-election at the 2023 AGM.
- Reviewing the constitution of the Board.
- Reviewing the skills and experience of the directors and their other commitments.

Nomination Committee report *continued*

Dear Shareholder,

On behalf of the Nomination Committee (the Committee), I am pleased to present this report, which describes how we carried out our responsibilities during 2023. The Committee met four times during the year.

Board succession planning

Board succession planning has been an important area of focus for the Committee during 2023.

As noted in my introductory statement, Jon Lewis informed the Board during 2022 that he was interested in exploring his future options, including eventual retirement from Capita. As Chair of the Committee, and with the support of our Chief People Officer and my fellow Committee members, I led the recruitment process for a new CEO, assisted by search firm Lygon Group. On 31 July 2023, following the conclusion of the process, we were delighted to announce the appointment of Adolfo Hernandez as Capita's new CEO. Adolfo has an excellent track record in accelerating revenue growth driven by digital services. Adolfo joined the Company as CEO and a Director of Capita on 17 January 2024, with Jon stepping down from the Board on that date. Jon will remain in the business until July 2024, to ensure an orderly transition. Further information on the appointment process is provided on page 81.

During the year and following John Cresswell's retirement from the Board on 31 March 2023, having served as a director for more than seven years, the Committee recommended the appointment of Claire Miles as an Independent Non-Executive Director. In our consideration of this appointment, we concentrated on identifying candidates who would add to the collective skills, experience, and diversity of the Board to improve our ability to support and challenge management as Capita develops and evolves. Further information on the appointment process is provided on page 82.

Board changes

On 7 December 2023, the Company announced that Claire Miles would step down from the Board on 31 December 2023. Claire's decision followed her appointment as chief executive officer of Stagecoach, Britain's largest bus and coach operator on 4 October 2023. Claire advised the Board that due to her new executive role she would be unable to dedicate sufficient time to enable her to contribute to Capita appropriately. While disappointed that Claire was unable to remain on the Board, the Committee understood Claire's reasoning. The Committee itself annually assesses the external commitments of each director to ensure that they have sufficient capacity to fulfil their obligations to the Board and its committees and to ensure that no director is over-boarded.

Board composition

In December 2023, the Committee in conjunction with the Board, reviewed the Board's constitution to ensure that it continues to be appropriate. The Board concluded that while having employee directors on the Board had been successful, this was not suitable for the business going forward, and that instead the Board should ensure that there is broader engagement with colleagues. Consequently, it was recommended to the Board that Janine Goodchild should step down as Employee Director and member of the Board on 31 December 2023. The Board now constitutes seven directors, comprising the Chairman, two Executive Directors (the CEO and the CFO) and four Independent Non-Executive Directors, which the Board deems appropriate for the business. Following Janine's resignation, and on the recommendation of the Nomination Committee, the Board appointed Nneka Abulokwe as the designated non-executive director for colleague engagement.

During 2023, we also reviewed the talent pipeline for the Executive Team and completed our annual governance processes.

Further details of the Committee's responsibilities and work undertaken by the Committee during 2023 are included in the Nomination Committee report. I hope you will find this informative.

David Lowden
Chair

Nomination Committee

5 March 2024

Nomination Committee report *continued*

Nomination Committee members

Member	Member since	Date of retirement from the Committee (if applicable)
David Lowden (Chair)	1 January 2021	
Jon Lewis	1 July 2022	17 January 2024
Adolfo Hernandez	17 January 2024	
Georgina Harvey	1 October 2019	
Nneka Abulokwe	1 February 2022	
John Cresswell	17 November 2015	31 March 2023
Neelam Dhawan	1 March 2021	
Brian McArthur-Muscroft	1 June 2022	
Claire Miles	12 May 2024	31 December 2023

Board changes

The appointment of our new CEO, Adolfo Hernandez, was a key area of focus for the Committee during 2023. In addition, we continued to focus on the evolution of the Board and, prior to the retirement of John Cresswell on 31 March 2023, identified a need for an additional Non-Executive Director who was an accomplished, growth-oriented business executive and leader. Board appointments are made on merit, taking account of the specific skills, experience, knowledge and independence needed to ensure a rounded board. We seek to ensure a minimum of 40% female representation on recruitment shortlists and, where appropriate, 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.

Recruitment of the CEO

The Committee was assisted in the search for a new CEO, which was led by the Chairman, by the search firm, Lygon Group, which has no connection to the Company or individual Directors. Lygon Group was not engaged by the Company for any other purpose during 2023. The search process was conducted as follows:

First stage

Development of a candidate profile.

Selection and engagement of an independent search firm carried out via a tender process.

The Nomination Committee received presentations from two search firms, following which Lygon Group was engaged by the Committee to undertake the search.

Second stage

A long-list of potential candidates, identified by Lygon, was reviewed by the Chairman and Chief People Officer and presented to the Committee.

The Committee also considered whether there were any potential internal candidates for the role.

Third stage

A short list of candidates was reviewed, with candidates interviewed by the Chairman, Chief People Officer and other members of the Board including the Senior Independent Director and Chief Financial Officer.

Fourth stage

The preferred two candidates met with other members of the Committee.

Fifth stage

The preferred candidate met with all but one director, following which the Nomination Committee made a recommendation to the Board.

A Remuneration Committee meeting was convened to approve the remuneration package subject to Board approval of the appointment.

Final stage

A Board meeting was convened to approve the appointment and offer to the preferred candidate, Adolfo Hernandez.

The appointment of Adolfo Hernandez was announced on 31 July 2023, following approval by the Board.

Adolfo joined Capita as CEO and a Director on 17 January 2024.

A detailed induction plan was created for Adolfo focusing on building his understanding of the business.

Non-Executive Director appointment

To assist with the recruitment of a new Non-Executive Director, following John Cresswell's decision to retire, the Committee appointed search firm Spencer Stuart, which has no connection to the Company or individual Directors. The Committee reviewed the skills matrix of the directors which is updated annually, and a candidate profile was developed to address any identified gaps and to complement the needs of the business and the Board as a whole. Spencer Stuart was not engaged by the Company for any other purpose during the year. Having considered the shortlist, the Chair and fellow committee members interviewed the preferred candidates and recommended the appointment of Claire Miles to the Board for approval. The Committee further recommended that, on appointment to the Board, Claire was appointed as a member of the Audit and Risk, Nomination and ESG Committees.

The appointment of both Adolfo and Claire involved a formal, rigorous, and transparent appointment process based on merit and objective criteria, with due consideration being given to a broad range of factors such as diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, and the Group's future strategic direction.

Board of directors' induction and training

All new directors are provided with a robust induction, tailored to suit their individual needs. This is an invaluable step to not only support directors in meeting their statutory duties, but also gives them a comprehensive introduction to the business and its strategic priorities.

Ongoing training and briefings are also given to all directors, including external courses as required. In addition, all directors are required to undertake online training on the Company's Code of Conduct and cyber and information security awareness, which are also mandatory for all Group employees.

Induction case study – Claire Miles

Claire Miles was appointed to the Board on 12 May 2023. The Company Secretary assisted the Chairman with the preparation and delivery of a tailored and comprehensive induction programme, designed to give Claire a thorough overview and understanding of our business with a focus on the Group's strategy, and wider business objectives. The induction sessions, which were principally virtual, provided Claire with an opportunity to meet with senior management and advisers and build an understanding of the key areas of focus for the Board, its committees, and the Group. The induction programme was complemented by the Board site visit to Leeds in September 2023, which included presentations by members of the Experience senior management team, meetings with clients and with the wider workforce.

After 17 April 2023 (the date of the announcement of Claire's appointment)

Claire was provided with a comprehensive pre-read, including previous Board and relevant Committee papers

12 May 2023

Claire was formally appointed to the Board, Audit and Risk, Nomination and ESG Committees

May/June 2023

Claire met with senior executive and functional heads (principally on a one-to-one basis) to provide her with an understanding of the Group's operations, culture, and values. This included meetings with all members of the Executive Team, the Director of Investor Relations and the Group Director of Financial Control

Meetings with the Director Internal Audit and Risk, the external auditor and external legal counsel

September 2023

Site visit in Leeds, meetings with clients and colleagues

Nomination Committee report *continued*

Diversity and inclusion

Capita's diversity and inclusion policy 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. We have met the FCA's target of 40% female representation on the Board and with regards to ethnicity, at least one person of colour, in respect of accounting periods beginning on or after 1 April 2022. Key aims of the policy are to ensure equality, diversity, and inclusion in the workplace and to promote a culture where everyone is treated with respect and dignity. Further information on actions taken to address diversity, inclusion and wellbeing across the workforce is in the responsible business section on pages 32 to 37.

Disclosures required under the Financial Conduct Authority's Listing Rule 9.8.6(9)

At 31 December 2023 (being the reference date selected by the Board for the purposes of this disclosure), the Company complied, as detailed below, with the regulatory targets set out in Listing Rule 9.8.6(9).

- The Board was 56% female (43% female at 5 March 2024, the date of this Annual Report, following Claire Miles and Janine Goodchild stepping down from the Board on 31 December 2023);
- The Senior Independent Director (Georgina Harvey) is female; and
- The Board had two Directors from a minority ethnic background.

The Board continues to comply with Listing Rule 9.8.6(9) at 5 March 2024, the date of this report, and it is expected that it will comply on 21 May 2024, the date of the Company's 2024 Annual General Meeting. Further details of the Company's compliance with LR9.8.6(R) at 31 December 2023 and 5 March 2024 are provided on pages 36 and 69.

While Capita has exceeded the FCA's 40% target for female representation at Board level, with female representation among senior management and direct reports at 40% at 31 December 2023, the Board recognises that there is still more to do throughout the organisation.

At 31 December 2023, female representation on the Board was 56% and among senior management[1] was 29%. At 31 December 2023, ethnically diverse representation on the Board and among senior management[1] was 22% and 14% respectively. Further disclosures on our gender and ethnicity diversity and how percentages are calculated and information collated is provided on page 36.

Succession planning and Board composition

A formal succession framework is in place for the Executive Team 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 evaluation

Details of the annual Board evaluation process are provided in the Chairman's report on page 76.

1. The 2018 Code defines senior management as the Executive Team and the Group Company Secretary. Claire Denton, Chief General Counsel and Company Secretary, is a member of Capita's Executive Team.

ESG Committee report

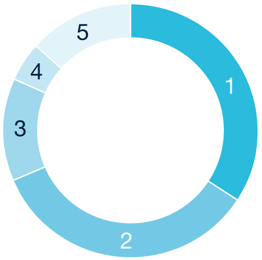
“During the year, the committee focused on responsible business challenges, and providing additional strategic oversight, accountability, and guidance”

David Lowden, Chair, ESG Committee

Overview

The ESG Committee (the Committee) met six times during 2023. David Lowden acts as ESG Committee chair. Other members of the Committee are Georgina Harvey and Nneka Abulokwe, Independent Non-Executive Directors. John Cresswell and Janine Goodchild stepped down from the committee on 31 March 2023 and 31 December 2023, respectively. Claire Miles was appointed as a member of the Committee on 12 May 2023 and stepped down on 31 December 2023 when she resigned as a director.

ESG Committee time allocation



1. Governance/regulatory	34%
2. Employee-related issues including diversity and inclusion	34%
3. Net zero	13%
4. ESG-related bonus targets	5%
5. Strategy	13%

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

Responsibilities and activities

Key responsibilities

- Oversee the development of the Group’s responsible business strategy and monitor its performance in respect of ESG-related matters on behalf of the Board.
- Oversee and monitor the Group’s progress against its net zero strategy.
- Review diversity and inclusivity data and approve the Group’s gender and ethnicity pay gap report.
- Review and approve the Group’s modern slavery statement.

Activity in 2023

Net zero:

- Reviewed the Task Force on Climate-related Financial Disclosures for inclusion in the Capita 2022 Annual Report.
- Reviewed the Group’s net zero emissions and draft low carbon transition plan.

Liaison with the Remuneration Committee on ESG-related targets:

- Reviewed and recommended to the Remuneration Committee ESG-related bonus targets for 2023.

Approval of external ESG communications:

- Reviewed the our people and responsible business sections of the 2022 Annual Report.
- Reviewed and approved the 2022 responsible business report for publication.

Policies and procedures:

- Reviewed and approved Capita’s supplier charter and considered how net zero was assessed and monitored within the Group’s supply chain.
- Reviewed and approved the Company’s modern slavery statement on behalf of the Board.
- Reviewed the Group’s Speak Up policy.

Strategy:

- Considered Capita’s responsible business strategy.
- Considered Capita’s ESG strategy and governance structure.
- Considered stakeholder feedback from shareholders, customers and regulators.

Our people:

- Received a presentation on Capita’s safeguarding policy, including SafetyNet, a Capita specific team and process designed to support Capita’s most vulnerable colleagues.
- Received a presentation on diversity and inclusion at Capita, including gender and ethnicity pay gap reporting.
- Received feedback on the response to the 2023 employee surveys.

Governance

- Discussed the outcome of the annual evaluation of the Committee.
- Reviewed the terms of reference of the Committee.

ESG Committee report *continued*

Dear shareholders,

I am pleased to present this report on the first full year of the Committee following its formation in June 2022.

Role of the Committee

The Committee oversees Capita's conduct as a responsible business. During the year, it focused on responsible business challenges, and providing additional strategic oversight, accountability and guidance.

Focus of the Committee

This Committee provides a forum within which all components of Capita's responsible business strategy can be considered on a regular basis. During the year, it focused on the following matters:

Diversity & inclusion

The Committee reviewed and approved the Group's 2023 UK gender and ethnicity pay gap report. 2023 was the third consecutive year that Capita voluntarily published its ethnicity pay gap. We believe that analysing diversity data and being transparent about the diversity of our workforce is an important step in moving towards a fairer, more inclusive workplace.

The Committee was pleased to note that our gender pay gap had improved, with a 5% reduction compared with 2022, the largest improvement since we commenced reporting on the gender pay gap. This is the result of several years of work within Capita to increase the number of women working in our senior leader roles. The committee recognises that there is more to do but is proud that our global workforce comprises 50% of females. We were also proud to note that Capita was ranked 18 out of 400 on the Forbes global list of top employers for women.

We noted that our ethnicity pay gap increased during 2023. While high volumes of recruitment have served to increase the representation of ethnic minority talent in our business, this has primarily been in more junior and lower paid positions. Capita continues to focus on attracting diverse senior talent, and most importantly, on growing, developing and promoting diverse talent from within.

The Committee considered the initiatives undertaken to improve this position, including our RISE (reduce inequality strive for equality) programme and our EmbRACE employee network group, which aims to address disparity of opportunity and support the progression of those who aspire to move into their first manager role.

While pleased with the progress made within the Group on diversity and inclusion matters, the Committee recognises that there is more work to be done. We are supportive of the update report from the Parker Review, and our Executive Team is considering ethnicity targets for senior management. This will remain a key area of focus. We will provide an update on progress made in these areas in our 2024 report.

Wellbeing of our colleagues

The health, safety and wellbeing of all our colleagues is a priority for the Committee and the Company. The Committee received a presentation from the Senior Medical Officer detailing Capita's safeguarding policy and our SafetyNet initiative, which continues to provide much needed expert guidance to our human resources representatives and line managers supporting colleagues with complex issues related to wellbeing, safeguarding or vulnerability.

ESG-related bonus targets

We worked closely during the year with the Remuneration Committee on ESG-related bonus targets, both reviewing the outturn of the ESG-related targets included in the 2022 management bonus plan and reviewing ESG targets for the 2023 management bonus plan, making recommendations to the Remuneration Committee. These include traditional measures, such as employee engagement, as well as targets that address broader societal concerns, such as climate change, consistent with the Board's responsibility to all stakeholders. Further details are provided in the Directors' remuneration report on pages 96 to 118.

Supplier charter

The Committee reviewed and approved Capita's supplier charter. Our review included an in-depth discussion on how our suppliers assess and manage the impact of their business during their transition to net zero, particularly noting that there is often a disproportionate financial impact on SMEs compared with our larger suppliers. We noted that Capita's smaller suppliers may need more support during the transition to achieve full net zero.

ESG Committee report *continued*

Net zero target

In early 2024, the Committee considered and approved a proposal from management to update our targets to become fully net zero by 2045. This recognised that a significant amount of our carbon emissions originate from our supply chain and that by extending our target by ten years we have additional time to engage with our suppliers and work with them to reduce their environmental impact. Capita is currently working with the Science Based Target initiative (SBTi), the globally recognised body for climate-related target setting, to validate our new targets.

As a Committee we have also approved a three-phased approach to full net zero, aiming to reach operational net zero by 2030; operational and business travel net zero by 2035; and full net zero by 2045.

Further details of our proposals which are subject to validation with the SBTi are detailed in the Responsible business report on pages 40 to 42.

Other matters

During the year, the Committee also addressed a range of other strategic and current issues including the results of our employee surveys, and discussed the initiatives that are being undertaken by Capita in these areas. We considered and approved the Group's modern slavery statement on behalf of the Board and assessed our Speak Up policy, concluding that following its relaunch in 2022 the policy was operating effectively.

Going forward and Committee chair

The Committee recognises the need for Capita to respond to a rapidly changing external environment including the difficult economic environment, which impacts the way we operate.

In December 2023, we reviewed our refreshed responsible business principles to ensure that they focus on the areas of greatest concern to the Group, including making sure that we have the appropriate governance structure, reporting processes and risk management. During this review, the Committee considered stakeholder views and feedback, including from shareholders, customers and regulators.

Capita's updated responsible business principles will be published later in 2024. We look forward to reporting more on these matters and the progress made.

Following the appointment of Nneka Abulokwe as designated non-executive director for colleague engagement, it was also proposed by the Nomination Committee that Nneka takes on the role of ESG Committee chair on 6 March 2024, following the announcement of Capita's 2023 full year results. This is a natural evolution of the roles of our independent Non-Executive Directors, with Brian, Georgina and Nneka acting as chairs of the Audit and Risk, Remuneration and ESG Committees respectively. I will remain a member of this Committee.

David Lowden
Chair

ESG Committee

5 March 2024

Audit and Risk Committee report

"Following the decision by the Board and the Committee to focus on optimising the existing finance reporting systems, further progress has been made in improving the Group risk and control framework and financial controls"

Brian McArthur-Muscroft, Chair, Audit and Risk Committee

Overview

The Audit and Risk Committee's (the 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/about-capita/corporate-governance. 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.

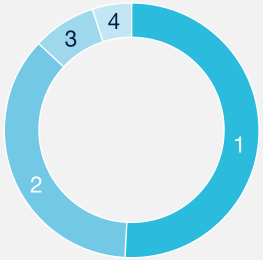
External audit

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. Risk management, internal control & compliance	51%
2. Financial reporting (incl. external audit)	36%
3. Private meetings with auditors	8%
4. Governance	5%

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

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 business leaders 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 pages 94 and 95.

Controls improvement

Following the decision by the Board and the Committee to focus on optimising the existing finance reporting systems, further progress has been made in improving the Group risk and control framework and financial controls. These programmes have continued to focus 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 2023 include: designing standard access rights to key systems; documenting the key risks and controls over financial reporting, considering significant fraud risks; and independent testing by Group Internal Audit of the design effectiveness of those key financial controls. In addition, the legal entity rationalisation programme progressed well during the year with the number of legal entities in the Group being reduced by 50. At 1 January 2024, the Group had 130 legal entities compared with 369 in July 2018. The rationalisation programme is ongoing, and the number of legal entities will be significantly below 100 by the end of 2024. Further improvements to the Group risk and control framework are planned for 2024, including obtaining assurance of management's process of monitoring operating effectiveness of key controls. In 2023 the Group's controls activity has continued to be supported by a Speak Up policy which facilitates whistleblowing across the Group with a function dedicated to identifying, preventing and investigating where fraud concerns have been raised. This was expanded to Switzerland and Germany in 2023, completing the rollout to all geographies.

The Board and the Committee also recognise the reforms to the UK Corporate Governance Code announced in January 2024, specifically the requirement for a Board declaration regarding controls from 2026. To date, activity has prioritised those areas which were known to be within the scope of the code, specifically the identification, documentation, and testing of the design effectiveness of controls over financial reporting and significant fraud risks. The Board and the Committee are now considering the provisions of the revised code which will inform future control improvement activity.

Committee membership and attendance

The Committee comprises myself as chair, together with Neelam Dhawan, Georgina Harvey and Nneka Abulokwe, independent non-executive directors.

During 2023 Janine Goodchild, employee non-executive director, was also a member of the Committee. Although not considered independent under the UK Corporate Governance Code 2018 (Code), Janine brought valuable insights from the employee perspective into Committee discussions and the Board considered that this was important from an employee engagement perspective. Janine stepped down from the Board and the Committee on 31 December 2023, following a review of the Board's constitution by the Nomination Committee and the Board, during which it was agreed that, although the employee director position had been successful, it would now be appropriate to adopt a wider employment engagement strategy given the more streamlined Group. Further information is provided on page 67.

John Cresswell stepped down as a director and member of the Committee on 31 March 2023. 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 was appointed as a member of the Committee upon John's departure. Claire Miles was appointed as a director and a member of the Committee on 12 May 2023. Following the appointment of Claire the Committee comprised five directors, with 80% of Committee members considered independent.

As part of her induction programme, Claire Miles met with Ian Griffiths, Audit Partner, KPMG, our external auditor, Capita's Group Director Financial Control and our Director Internal Audit and Risk. Georgina Harvey was previously a member of the Committee from October 2019 until June 2022 when the Board reviewed Committee membership. However, following the retirement of John Cresswell, it was decided to reappoint Georgina as a member of the Committee to ensure that the Committee has the requisite skills and depth necessary to discharge its duties in accordance with its terms of reference. Claire Miles stepped down from the Board and a member of the Committee on 31 December 2023, following her full-time appointment as chief executive officer of Stagecoach. Further information is provided in the Nomination Committee report on page 80. Nneka Abulokwe was appointed as a member of the Committee on 27 February 2024. From 1 January 2024, the Committee has comprised solely of independent non-executive directors.

The Committee is required to include at least one financially qualified member, this requirement is fulfilled by myself as a chartered accountant.

All other Committee members are considered financially literate given their qualifications and experience. Neelam has held senior positions in Hewlett-Packard, Microsoft, Compaq and IBM with responsibility for areas including strategy and corporate development. Georgina has significant experience across highly competitive consumer-facing markets. She is currently a non-executive director of Superdry plc and a member of its audit committee. Nneka is an adviser of Cranfield School of Management Advisory Board and was formerly an external member of the audit and risk committee of the University of Cambridge. Biographies of the directors, including their skills and experience are on page 70 to 71.

Audit and Risk Committee report *continued*

To encourage effective communication, in addition to the above members, the Chairman, CEO, CFO, Chief General Counsel and Company Secretary, Group Director Financial Control and Group Chief Accountant are invited to attend Committee meetings along with certain members of the senior management team, the Director Internal Audit and Risk and representatives from KPMG, the Group's external auditor. The Head of Business Integrity provides a report at each meeting to update the Committee on speak-up matters and related issues. 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 annual Board evaluation, see page 76 for more information. The Board is satisfied that the combined knowledge and experience of its members, both during the year and currently 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 the principal Committee meetings, led by me with the CFO, members of the Group Finance team and the external auditor. I also meet on a regular basis and separately with the CFO and Director Internal Audit and Risk. The purpose of these meetings 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. The Group's Chief Technology Officer and/or the Chief Information Security Officer attend every Committee meeting to provide an update on the Group's cyber and IT resilience. The Head of Business Integrity also attends every Committee meeting to provide an update on cases reported under the Group's Speak Up policy. 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 2023

The Committee held six scheduled meetings during the year and attendance at each meeting is shown on page 75. Meetings are planned around the Company's financial calendar.

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 on pages 90 to 92.

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 the use of alternative performance measures (APMs) and whether the APMs are appropriate, including any changes to their definition in the period. The Committee also considered whether the full-year announcement was presented clearly.

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

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

Going concern and viability assessment

Matter considered

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

Action

The Committee considered the projections within the business plan, agreed by the Board in December 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, the committed facilities available, and the mitigations within direct control of the Group. The Committee also considered the risks identified and appraised the severity and plausibility of these in setting the downside scenario (see section 1 to the consolidated financial statements for details).

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

Outcome

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

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

Revenue and profit recognition

Matter considered

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

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

Action

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

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

Outcome

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

Contract fulfilment assets

Matter considered

Costs incurred to deliver a customer contract may be capitalised as contract fulfilment assets in accordance with IFRS15. 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 contract fulfilment assets (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 Parent Company's investment in subsidiaries, and recoverability of receivables from subsidiary undertakings in the Parent Company

Matter considered

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 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.

The Committee acknowledged the gap between the net assets of the Parent Company and the market capitalisation of the Company. The Committee gave consideration as to why this might be the case and whether goodwill or assets on the Parent Company balance sheet may be impaired. The factors considered included: the differing basis of valuations (including 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, general market assumptions of the sector which can ignore the liquidity profile and specific risks of an entity, and other specific items which impact the market's view of the Group at the moment. Taking these points into consideration the Committee is comfortable that there is no impairment in respect of the net assets of the Parent Company to be recognised at 31 December 2023, despite the continuing low market capitalisation of the Company.

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.

Costs related to the cyber incident

Matter considered

In March, the Group experienced a cyber incident which caused disruption to some client services. As stated in the accounting policies, Capita separates its profit between adjusted and reported to provide useful disclosure to aid the understanding of the performance of the Group. The costs arising from the cyber incident have been excluded from the adjusted operating profit and adjusted profit before tax of the Group. The Committee needs to ensure the complete identification, quantification and disclosure in the financial statements of the costs arising from the cyber incident.

Action

The Committee considered the nature of the costs that management have disclosed as arising from the cyber incident and the process put in place to ensure only those costs are excluded.

The Committee considered the appropriate presentation to apply for costs related to the cyber incident which are presented as an adjustment to the reported results.

The Committee reviewed the contingent liability disclosure in note 6.2 to the consolidated financial statements.

Outcome

The Committee concurs with management's view that the presentation of the costs related to the cyber incident as an adjustment to the reported results provides useful disclosure to aid the understanding of the performance of the Group and agrees that the items excluded meet with the stated policy for recognition. Note 2.4 to the consolidated financial statements sets out the nature of the costs excluded, and the Committee is satisfied that this provides sufficient information to inform a reader.

The Committee reviewed the disclosures within the contingent liability note. It was satisfied that the disclosure provided proportionate detail to inform a reader.

Other issues considered in relation to the financial statements

Materiality

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

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

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

Disclosure of information to the auditor

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

Statutory auditor

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

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 and Risk Committee report *continued*

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, and audit and other assurance services related to public reporting on other information issued by Capita, such as reports on information in the front of the annual reports not covered by the auditor's report on the financial statements). 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 £0.5m and related to the review of interim results, ISAE 3402 assurance reporting on controls operating by a subsidiary, and ISAE 3000 assurance reporting over non-financial metrics reported within the Annual Report and Accounts. Further details are provided in note 2.3.2 to the consolidated financial statements.

External auditor performance

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

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

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

Financial Reporting Council: audit quality inspections

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

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

FRC's Audit Quality Review of the Capita 2022 audit by KPMG

During the year, the 2022 audit of Capita plc by KPMG was reviewed by the Audit Quality Review (AQR) team. The FRC routinely monitors the quality of the audit work of certain UK audit firms through inspections of sample audits and related procedures at individual audit firms. Certain matters were identified relating to how KPMG evidenced its conclusions over the work performed in two specific areas of the audit. The AQR also highlighted good practice observations in relation to KPMGs challenge over going concern and the robust evaluation of the Company's going concern assessment.

The Committee and KPMG have discussed the review findings and the agreed actions and are satisfied with responses to be implemented by KPMG in the 2023 audit. Overall, the results of the review raised no issues which cause doubt on the fundamental quality of Capita's external audit and the Committee remains satisfied with the efficiency and effectiveness of the external audit.

External auditor reappointment

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

The lead audit partner is rotated on a five-yearly basis. The current lead audit partner rotated onto the audit following the completion of the 2021 audit in March 2022.There are no contractual obligations which restrict the Committee's choice of auditor.

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

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

Review of risk management and internal control

Responsibility for reviewing the effectiveness of the Group's risk management and internal control systems is delegated to the Committee by the Board. The principal risks and risk management processes are set out on pages 57 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 Group's principal risks. These reviews focused on principal risks related to:

- Internal controls
- People, attraction and retention
- Securing new contracts and extending existing contracts
- Delivering our contractual obligations

The principal risk assessment also considered any emerging risks that would threaten Capita's business model, future performance, solvency or liquidity. The assessment process included regular engagement with the Executive Team 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.

Principal risk refresh

Capita's principal risks had remained relatively unchanged since 2019. In September 2023, the Committee reviewed the principal risk profile, given that since 2019:

- Capita has changed its business operating model, reducing from six to two divisions.
- The global Covid-19 pandemic has led to new expectations as employees continue to work from home.
- The geopolitical and political landscape has changed.
- Recession and macroeconomic uncertainty have led to customers wanting to spend less yet continue to seek value for money.
- Global supply-chain challenges, social and technological changes.

The Committee's review followed a detailed exercise by the Executive Team and members of their senior leadership teams and discussion at the executive risk and ethics committee. Further information is provided in the risk section on page 58 of the strategic report.

The Committee considered and challenged management's assessment of the revised principal risks and this matter was also discussed by the Board. Following this assessment the principal risks have reduced from 13 to nine. The Committee will continue to receive 'deep dives' from management on the nine principal risks.

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

- Cyber and information security;
- IT resilience;
- Internal controls;
- Finance transformation
- 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;
- Data privacy; and
- The Group's legal entity rationalisation programme.

Although cyber and information security was a standing item on the Committee's agenda prior to the cyber incident in late March 2023, the Committee has increased its scrutiny of this topic in the wake of the incident. This will remain a principal focus of the Committee for the foreseeable future. The Chief Technology Officer and/or the Chief Information Security Officer attend every Committee meeting to provide an update on the Group's cyber security maturity and receive robust challenge from Committee members.

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

Effectiveness and efficiency of financial controls

Detail on the status of internal financial controls is in the internal control and risk management section of this report and can be found on pages 57 to 63. As detailed on page 88 further improvements to the Group risk and control framework, including financial controls were delivered during the year.

The Committee concluded that the Group risk and control framework, including financial controls could be relied upon to be materially effective, noting that further improvements to the Group risk and control framework are planned for 2024 to ensure that financial controls are appropriately efficient for a Group of the scale and complexity of Capita.

Internal audit

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

The 2024 plan was approved by the Committee in December 2023. The plan focuses on the following four areas: (i) risk-based cyclical audits of core 'business-as-usual' activities aligned to our principal risks; (ii) advisory reviews (iii) progressive assurance and (iv) testing of key controls documented by the functions as they strengthen their internal control framework.

Conducting cyclical audits over these risks and processes provides better insight into how risk is being managed and provides comparison across business units. The plan is structured to be flexible; to provide assurance over core 'business as usual' activities aligned to our principal risks; and, to offer continued support for ongoing change activities.

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

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. The Committee receives regular status updates on identified actions and provides robust challenge.

As detailed in the 2022 Committee report, as a result of the consistent themes identified during audits including a lack of defined policy and procedures over key processes, responsibilities and accountabilities of roles not always clear and a lack of evidence to demonstrate monitoring and reporting of control activity, a plan was presented and approved by the Committee during 2022 to address these issues and further improve the Group's financial controls framework. The Committee received updates on the progress of this project at each Committee meeting and closely monitors the progress of this project. Further information is detailed on page 88.

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

Capita's Code of Conduct was refreshed in 2022, with the relaunch of the Group's Speak Up policy. Code of Conduct training is mandatory for all Group employees including Capita plc directors. The Speak Up policy, provides a framework for concerns to be raised in a responsible and effective manner. This ensures that concerns are addressed in a manner independent of a colleague's business area, and that 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 of the Speak Up policy in 2022 a 12-month Speak Up communication plan was implemented to raise awareness of this policy and stimulate engagement with employees. The number of reported cases has again increased during 2023 following this communication plan, with significant progress being made in increasing the number of reported cases to a level more representative of Capita's size and its peers.

During 2023, members of the Business Integrity team visited some of Capita's international sites, including South Africa, to reinforce and embed the Speak Up policy in these businesses. The Chief General Counsel and Company Secretary also attended some of these meetings via video-conference. The Speak Up policy has also recently been introduced in Capita's businesses in Germany following a change in legislation.

While recognising the progress made the Committee recognises that the number of reported cases is still low in certain geographies given the size of Capita and further communication will be undertaken.

This is an area of focus for the Committee, which receives a report from Capita's Head of Business Integrity and an update on the current level of reported cases at every meeting. Oversight of these arrangements is a matter reserved to the Board and I provide regular updates on the operation of the policy to the Board.

Brian McArthur-Muscroft
Chair

Audit and Risk Committee

5 March 2024

Directors' remuneration report

"The Remuneration Committee considers that our remuneration policy remains appropriate; following the recent appointment of our new CEO this will be kept under review"

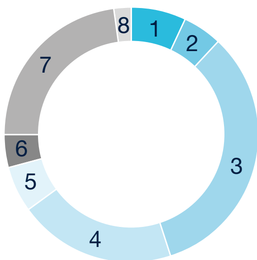
Georgina Harvey, Chair, Remuneration Committee

This report is split into three sections:

- The annual statement summarises how the committee discharged its roles and responsibilities in respect of 2023 including the review of the directors' remuneration policy and pay decisions for 2024.
- The directors' remuneration policy (the policy) presents the policy which remains largely unchanged from that approved by shareholders at the 2021 AGM and will be subject to a binding shareholder vote 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 2024.

The directors' remuneration report (excluding the policy) will be subject to an advisory shareholder vote, and the policy will be subject to a binding shareholder vote, at the 2024 AGM.

Remuneration Committee approximated time allocation



1. Governance	7%
2. Executive director and executive team remuneration	5%
3. Annual bonus plan	33%
4. Long term incentives	20%
5. Wider workforce/gender and ethnicity pay gap	6%
6. Shareholder consultation/feedback	4%
7. Policy review	23%
8. Committee time only	2%

Remuneration Committee membership and attendance

All members of the committee are independent non-executive directors. During 2023 the non-executive employee director attended committee meetings by invitation, rather than being a member of the committee. From 1 January 2024, following the decision to change the constitution of the Board, there will no longer be a non-executive employee director. The number of formal meetings held and the attendance by each member is shown in the table on page 75.

The committee also held informal discussions as required. The Chief General Counsel and Company Secretary acts as secretary to the committee and is available to assist the members of the committee as required, ensuring that timely and accurate information is distributed accordingly.

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

Annual statement

Dear shareholder,

I am pleased to present the directors' remuneration report for the year ended 31 December 2023.

The committee's focus in 2023 has been centred on:

- Reviewing our current remuneration policy as approved by shareholders at the 2021 AGM: considering the appropriate approach for 2024 and future years;
- Agreeing the remuneration arrangements in respect of Jon Lewis's retirement as Chief Executive Officer (CEO) and the appointment of Adolfo Hernandez as his successor; and
- Colleague wellbeing and development: embedding Capita pay principles, rolling out our career path framework incorporating job sizing and market-informed job pay ranges to deliver transparency on pay throughout the Group.

Details of the committee's approach to remuneration in 2023, and the proposed implementation of the policy for 2024, are set out below.

How the committee operates

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

During 2023, the ESG committee was responsible for making recommendations to the committee in respect of setting and assessing ESG targets in the annual bonus.

Committee activities

The key workstreams of the committee during the year included:

- Reviewing the current policy and agreeing the approach for the policy to be put to shareholders for approval at the 2024 AGM.
- Agreeing the remuneration arrangements in respect of Jon Lewis's retirement as CEO and the appointment of Adolfo Hernandez as his successor.
- Agreeing the vesting percentage in respect of the 2020 LTIP awards for the performance period ended 31 December 2022.
- Agreeing annual bonus awards for the year ended 31 December 2022.
- Agreeing 2023 Restricted Share Award (RSA) levels.
- Agreeing the design and targets for the 2023 annual bonus.
- Determining the remuneration arrangements for senior management leavers/joiners.
- Consideration of executive pay arrangements and alignment with those for the wider workforce.
- Ongoing workforce engagement in respect of executive remuneration.
- Receiving progress updates in respect of the implementation of wider workforce strategy on pay and progression (career path framework).

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

Clarity – our policy is well understood by our senior management team and has been clearly articulated to our major shareholders and representative bodies (both on an ongoing basis and during the detailed consultation exercise in respect of the policy review carried out during 2023).

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

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

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

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

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

Remuneration for 2023

A summary of the approach to remuneration in 2023 was as follows:

- There was no change in the base salary level for the CEO or the Chief Financial Officer (CFO) in 2023.
- The annual bonus operated in line with policy, with a maximum potential of 200% of salary for the CEO and 175% of salary for the CFO. The bonus was based on revenue, profit before tax and free cash flow (all equally weighted and totalling 80% of maximum bonus) and strategic/individual objectives (totalling 20% of maximum bonus).
- RSAs were granted under the Capita Executive Plan in March 2023 at 150% of salary for the CEO and 100% of salary for the CFO. Further details of the 2023 RSAs are set out in the annual report on remuneration.

Annual bonus for 2023

Following a review of performance against the annual bonus targets, no annual bonuses were awarded to the CEO and CFO in respect of the year ended 31 December 2023.

While revenue performance was between threshold and target, it was noted that revenue benefited from certain non-trading items, the exclusion of which would have resulted in a below threshold performance. PBT and free cash flow performance were below threshold.

In light of this financial performance, while progress was made against a number of the strategic/individual objectives, management recommended to the committee that no management bonuses should be paid for the year ended 31 December 2023 and the committee accepted this proposal. Further details in respect of the annual bonus performance assessment are set out on pages 110 and 111.

2021 RSAs

The RSAs granted to Jon Lewis and Tim Weller in May 2021, which were due to vest in May 2024, will lapse in full post year end following the application of the total shareholder return (TSR) underpin.

Total remuneration

The committee is satisfied that total remuneration awarded to the CEO and CFO in respect of 2023 (ie fixed pay only) was appropriate in the context of the shareholder and broader stakeholder experience.

Use of discretion

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

	2020	2021	2022	2023
Annual bonus	In light of the impact of Covid-19, the annual bonus plan was withdrawn for 2020 for the executive directors (plus the executive committee and selected senior managers) before the targets were agreed.	No committee discretion exercised.	Annual bonus awards for the CEO and CFO for the year ended 31 December 2022 were reduced from 69% to 60% of the maximum, see page 115 of the relevant annual report.	No committee discretion exercised (albeit it should be noted that the committee accepted management's proposal not to pay an annual bonus for 2023).
Share awards	2020 LTIP award levels were reduced by around 70% compared with normal grant levels. In addition, and to reflect underlying financial and operational performance, the committee applied downward discretion when assessing the vesting of the 2018 LTIP	2021 RSA levels were reduced from the normal policy grant level by around 17%.	The 2022 RSA level for the CEO was reduced from the normal award level of 150% of salary to 100% of salary, see page 116 of the relevant annual report.	No committee discretion exercised.

Board changes in 2023

On 31 July 2023 Capita announced Jon Lewis's intention to retire. Jon Lewis stepped down as CEO and an executive director on 17 January 2024 although he remains an employee until July 2024 to ensure an orderly transition. Adolfo Hernandez was appointed CEO and executive director on 17 January 2024. The remuneration arrangements relating to Jon Lewis's retirement and the appointment of Adolfo Hernandez are set out on pages 114 and 115.

John Cresswell stepped down as a non-executive director on 31 March 2023. Claire Miles was appointed as a non-executive director on 12 May 2023 although she stepped down from her role on 31 December 2023 following her appointment as chief executive officer of Stagecoach. Janine Goodchild stepped down as employee director on 31 December 2023.

Remuneration policy for 2024

As a result of the current policy (approved by shareholders at the 2021 AGM) reaching the end of its three-year shareholder approved life, a new policy is required in 2024.

Following a review of Capita's current policy to ensure it continues to support the business and delivery of the business strategy at the current time, the committee's main conclusion is that the current policy should be rolled over at the 2024 AGM with minor changes. While the committee did consider whether Capita should switch back from RSAs to Long Term Incentive Plan (LTIP) awards from 2024, the committee concluded that 2024 feels premature for the following two reasons:

- The committee wishes to ensure that the new CEO has sufficient opportunity to provide his input in respect of Capita's strategy and how this impacts the policy structure, performance metrics and targets following an appropriate period of time in the role; and
- Capita's current share price volatility means that granting LTIP awards, which are typically double RSA levels, will create dilution/share usage issues and increase the risk of windfall gains.

Major shareholders were consulted on the proposed approach towards the end of 2023 and the majority confirmed support. The committee will keep the policy under review and should the committee conclude that Capita should switch back from RSAs to LTIPs in the future, a new policy would be taken to the relevant AGM following a shareholder consultation exercise with our major shareholders.

Implementing the policy for 2024

The committee's intended approach to the implementation of the policy for 2024 is set out below.

Fixed remuneration: Adolfo Hernandez was appointed on a salary of £700,000 (ie lower than the salary of Jon Lewis on retirement of £748,000). Jon Lewis and Tim Weller will not receive salary increases in 2024. 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.

2024 annual bonus: The maximum potential will continue to operate at 200% (CEO) and 175% (CFO) of salary based on 80% financial (based on sliding scale revenue, profit and cash flow targets) and 20% strategic (focussed on improvement in the customer net promoter score (cNPS) targets.

2024 RSAs: The 2024 RSAs to be granted to executive directors in 2024 will:

- be set at a maximum of 125% of salary for the new CEO (ie lower than the previous CEO's 150% salary award) and 100% of salary for the CFO;
- vest after three years from the grant date, subject to continued employment, satisfactory individual performance and a positive assessment of performance against the underpins (including three-year TSR to be positive). No shares can normally be sold until at least six years from grant, other than those required to settle any taxes.

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

Directors' remuneration report *continued*

Shareholder views

The committee engaged with our major shareholders and the main representative bodies towards the end of 2023 and early 2024 in advance of the 2024 AGM. Our major shareholders confirmed that they were supportive of the new proposed policy in respect of the committee's conclusions. As such, no changes were made to the proposals following consideration of the feedback received.

Employee engagement

In 2023, Jon Lewis regularly communicated with all employees, including on our 2022 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.

During 2023, the employee non-executive director attended committee meetings by invitation and was therefore able to provide colleague perspective on remuneration to the Board.

Over the last couple of years, the committee has established a process of engaging with the workforce on how executive remuneration aligns with wider company pay policy, in compliance with the Code. The purpose and content of the sessions are clearly articulated and publicised to encourage a wide range of attendees and questions. A session was held with the chairs and co-chairs of the Capita employee network groups and members of the leadership council in mid-2023. 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 2023. Both sessions were chaired by Georgina Harvey and covered: the work of the committee; executive pay in the UK; and at Capita 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 and future pay strategy. These sessions provide an opportunity for questions and answers and the provision of feedback is encouraged. Further workforce engagement sessions will take place during 2024 following a similar structure.

Concluding thoughts

The committee considers that our remuneration policy continues to remain appropriate and was pleased with the level of support it received during the consultation exercise with our major shareholders and the main representative bodies. That said, this will be kept under review given the recent appointment of our new CEO.

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

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

Georgina Harvey
Chair

Remuneration Committee

5 March 2024

Directors’ remuneration policy

This part of the remuneration report sets out our proposed remuneration policy which will be put to shareholders for approval at the 2024 AGM. The information provided in this section of the remuneration report is not subject to audit.

The proposed policy is a rollover of current policy with minor amendments and, subject to shareholder approval, will take formal effect from the conclusion of the 2024 AGM. A summary of the changes from the policy approved by shareholders at the 2021 AGM is as follows:

- Reflecting the new CEO’s 125% of salary RSA level (ie lower than the 150% of salary received by Jon Lewis), the maximum RSA in the policy table has been reduced to 125% of salary. Connected to this, the maximum variable remuneration for a new executive director appointment has been reduced from 350% to 325% of salary in the Directors’ recruitment and promotions section;
- Enhancing the disclosure under the policy table in respect of committee discretion to make it clear that, consistent with best practice, the committee retains absolute discretion to override formulaic outcomes in the bonus, RSA and any other remuneration arrangements where relevant; and
- References to the employee non-executive director have been removed following the Board’s decision that from 1 January 2024, the Board will constitute seven directors (comprising the chairman, two executive directors, and four independent non-executive directors).

Responsibilities and activities of the Remuneration Committee

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

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

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

Consideration of shareholder views

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

As detailed on pages 99 and 100, the committee consulted with major shareholders and shareholder representatives on the proposal to rollover the current policy and the majority confirmed support. As such, no changes were made to the proposed approach following consideration of the feedback received.

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.

Directors’ remuneration report *continued*

Remuneration policy table

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

Base salary

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

Benefits

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

Pension

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