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Board members



The Board of Directors

The Board of Directors has continued to review the Board composition during 2009 and has made some changes for 2010. After 9 years with Capita, Eric Walters decided to step down as Chairman with effect from the beginning of 2010 and Martin Bolland took over this role from 1 January 2010. We also announced last year that Paddy Doyle would be moving to a part-time Executive Director role. He has now decided to reduce his business interests further and will continue on the Board as a Non-Executive Director from 1 March 2010. The Board has also considered the number of Independent Non-Executive Directors, specifically with relevant financial experience, and will be recruiting to add further Non-Executives to the Board. Whilst this process is taking place, Martin will continue as Chairman of the Audit Committee and Senior Independent Director until an appropriate replacement is appointed.

Martin Bolland Non-Executive Chairman and Senior Independent Director, Age 53

Joined the Board in March 2008 and became Senior Independent Director on 30 September 2008. Became Chairman on 1 January 2010, following the retirement of Eric Walters from the role. A Chartered Accountant, Martin previously held a number of senior positions within the Lonrho Group and was also a founder and partner of Alchemy Partners and continues to be a member of Alchemy's Investment Committee and the Monitoring Board. He is currently Chairman of QHotels.

Committee memberships:

Nomination Committee
(Chairman from 1 January 2010)
Audit Committee (Chairman)
Remuneration Committee

Paul Pindar Chief Executive, Age 50

Joined Capita in 1987 from 3i, after advising Capita on its management buy-out, and became Chief Executive in 1999. A Chartered Accountant, Paul is responsible for managing and developing Capita's operations to achieve the Company's strategic objectives, and has overall responsibility for our charitable approach. Paul is also Chair of the Great Ormond Street Hospital's Corporate Partnership's Board and Senior Independent Non-Executive Director of Debenhams Plc.

Gordon Hurst Group Finance Director, Age 48

Joined Capita in 1988 and was first appointed to the Board as Commercial Director in February 1995 and then as Group Finance Director in 1996. A Chartered Accountant, he is also Company Secretary. He has Board responsibility for our overall corporate responsibility policy and specific responsibility for our environment, health and safety approach and supplier relationships.

Simon Pilling Chief Operating Officer, Age 47

Joined Capita in 1999 and was appointed to the Board in August 2006 serving as Joint Chief Operating Officer alongside Paddy Doyle. In August 2008 he became Chief Operating Officer and has overall responsibility for the management of the Company's operations. He also has Board responsibility for client service quality and for our employee and human resources policies.



Maggi Bell

Business Development Director, Age 54

Joined Capita in January 1999 and was appointed to the Board in August 2008. Maggi has held various positions across Capita, including running our recruitment businesses and leading the Business Services and Corporate Services Divisions, and has been head of the Group Sales & Marketing Division since January 2005. She is responsible for driving forward business development across the Company, including managing our Major Sales Team, and has Board responsibility for community engagement.

Paddy Doyle

Non-Executive Director, Age 59

Joined Capita in 1992 and was appointed to the Board in 1994. As Group Operations Director he was responsible for the ongoing operational management of the Group's business units. From August 2006 to the end of August 2008 he was Joint Chief Operating Officer alongside Simon Pilling. In 2009 he moved to a part-time Executive position on the Board, continuing client facing activities. He has decided to reduce his business interests further and will continue on the Board as a Non-Executive Director from 1 March 2010.

Committee memberships:

Nomination Committee
(from 1 March 2010)

Martina King

Non-Executive Director, Age 48

Joined the Board in January 2005. Martina previously held a number of senior positions in marketing and online media, including her position as Yahoo! Managing Director for Europe and Managing Director of Capital Radio. Martina is also a Non-Executive Director of Johnston Press plc, IMD PLC and Debenhams Plc.

Committee memberships:

Remuneration Committee (Chairperson)
Audit Committee
Nomination Committee

Bill Grimsey

Non-Executive Director, Age 58

Joined the Board in October 2006. Bill has held a number of senior positions across the retail sector over the past 20 years, including Chief Executive of The Big Food Group and Wickes Plc. Bill is currently Chief Executive of Focus DIY Limited. He does not hold any other Non-Executive positions.

Committee memberships:

Audit Committee
Remuneration Committee
Nomination Committee

Eric Walters

Joined the Board in 2001 and became Chairman in 2006. He has held senior positions with Alchemy Partners LLP, Englefield Capital, Schroder Ventures, Grand Metropolitan plc and Lex Service plc. After 9 years service, he stepped down from the Board on 1 January 2010 and we wish him well as he pursues other interests.

Committee memberships:

Nomination Committee
(Chairman until 31 December 2009)

Corporate governance

The Capita Group Plc and its subsidiaries (the Group) continue to be committed to the principles of corporate governance contained in the Financial Reporting Council's Combined Code on Corporate Governance June 2008 (the Combined Code) for which the Board is accountable.

The Group has complied throughout the year with the provisions of Section 1 of the Code, except in respect of the composition of the Board.

Composition of the Board (A.3.2) – This is shown in the table below:

Period	Balance of Board	Directors
1 January – 31 December 2009	Non-Executive Chairman 5 Executive Directors 3 Independent Non-Executive Directors	Eric Walters Paul Pindar, Gordon Hurst, Simon Pilling, Maggi Bell and Paddy Doyle Martin Bolland, Martina King and Bill Grimsey
From 1 January – 28 February 2010	Non-Executive Chairman 5 Executive Directors 2 Independent Non-Executive Directors	Martin Bolland Paul Pindar, Gordon Hurst, Simon Pilling, Maggi Bell and Paddy Doyle Martina King and Bill Grimsey
From 1 March 2010	Non-Executive Chairman 4 Executive Directors 2 Independent Non-Executive Directors 1 Non-Executive Director	Martin Bolland Paul Pindar, Gordon Hurst, Simon Pilling and Maggi Bell Martina King and Bill Grimsey Paddy Doyle

The Board continues to believe that the Board and its committees consist of directors with an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively.

Board changes in the year

There were no changes to the Board during the year as all changes described below became effective after the year-end.

Eric Walters stood down from the Board from 1 January 2010 and the Board appointed Martin Bolland as Non-Executive Chairman. Paddy Doyle is moving to a non-executive position from 1 March 2010. Following these changes the Board are actively recruiting further Independent Non-Executive Directors and once these have been appointed the relevant announcements will be made. Martin Bolland will continue as Senior Independent Director for the time being.

These changes were part of the Board's orderly succession planning and arrangements.

Martin Bolland, Martina King and Bill Grimsey are regarded as independent and free from any business or other relationship that could materially interfere with their judgement. The Board accepts that Paddy Doyle is not independent, but his experience of the Company means the Board feel the contribution he continues to make is valuable.

For each appointment the Board undertook a formal appointment process, led by the Nomination Committee and, where appropriate, with the assistance of independent external search consultants.

Board composition

The Directors acknowledge the need to segregate the responsibility for operating the Board from the management of the underlying business. Consequently, the roles of Non-Executive Chairman (Eric Walters for the period under review and Martin Bolland from 1 January 2010) and Chief Executive (Paul Pindar) are separate.

Martin Bolland was appointed Non-Executive Chairman from 1 January 2010 and whilst a recruitment process is undertaken for new independent directors Martin has continued in his role of Senior Independent Director and Chairman of the Audit Committee. He is available as Non-Executive Chairman and Senior Independent Director, as necessary, to lead meetings of the Non-Executive Directors without the Executive Directors being present and is available to meet with shareholders to understand any concerns. Biographies of the Directors can be found on pages 70 to 71.

Board responsibilities and effectiveness

The Board is collectively responsible to shareholders for setting the direction of the business and monitoring the Group's ongoing affairs. It is also responsible for ensuring an effective internal control environment that identifies and manages appropriately the risks associated with the business as set out on pages 27 to 28.

The Board demonstrates its commitment to the strategic direction and control of the Group by scheduling a series of meetings in the year. It can meet as necessary outside of this schedule to consider any urgent matters that may arise. It sets the strategic objectives of the Group, ensuring sufficient financial and human resources are in place to meet those aims. The Board sets the Group's values and standards and ensures that its obligations to clients, employees, suppliers, shareholders, the community and other key stakeholders are understood and met.

The Board has a formal schedule of matters that can only be decided by the Board. This schedule has been reviewed during the year and the key matters reserved to the Board include:

- The Group's business strategy
- Annual financial and operating plans
- Financial reporting
- Dividend policy
- Internal controls and risk management (via the Audit Committee)
- Remuneration policy (via the Remuneration Committee)
- Treasury policy and significant fundraising
- Appointment/removal of Directors and Company Secretary.

The Board also considers regular reports from the Chief Executive, Group Finance Director, Chief Operating Officer and Business Development Director. The Board is provided with complete, timely and relevant information to ensure that informed judgements are made in pursuit of the Group's objectives.

The Board also reviews the performance of management in meeting business objectives, plans the succession of key executives, and determines appropriate remuneration levels through the Remuneration Committee, a committee of the Board.

Paul Pindar, as Chief Executive, is responsible for all aspects of the operation and management of the Group.

The Non-Executive Directors have a particular responsibility to challenge, independently and constructively, the business development plans that are proposed by executive management and monitor the performance of the management teams in the delivery of agreed business objectives and targets. The Non-Executive Chairman encourages and engages in an open dialogue with Non-Executive Directors who are at liberty to meet with him as a group or individually as they feel fit, without the presence of Executive Directors. The Non-Executive Directors meet at least once a year without the Executive Directors present.

Directors and officer's liability insurance is maintained.

Director induction and professional development

On joining the Board, all Directors participate in an induction programme involving appropriate documentation, meetings and visits to Capita businesses with other Directors, attendance at monthly operational business (MOB) review meetings and discussions with advisers and senior management from across the Group.

During the year, the Directors received appropriate ongoing briefings and information, including updates on governance and regulatory issues, to enable them to perform their roles. They also attended external courses where appropriate. Specific briefings were given to the Executive Directors on the Combined Code, Companies Act 2006 and Disclosure and Transparency Rules during the year.

An induction was also given to Martin Bolland on his appointment as Non-Executive Chairman.

All Board members have access to independent advice on any matters relating to their responsibilities as Directors and as members of the various committees of the Board, at the Group's expense. The Company Secretary, Gordon Hurst, who is also Group Finance Director, is available to all Directors and he is responsible for ensuring that all Board procedures are complied with. As with all Board positions and responsibilities this combined role is regularly reviewed.

The Board appointed a Deputy Company Secretary in 2008 to deal with the increase in size and diversity of this area. The duties of the Deputy Company Secretary include coordinating and managing the provision of company secretarial services to the Group on behalf of Gordon Hurst, the Group Finance Director and Company Secretary, and acting as Secretary to the Audit, Remuneration and Nomination Committees. The Deputy Company Secretary has direct access and responsibility to the Chairman and the Chairs of all the standing committees and open access to all the Directors. The Board continues to keep this under review and currently feel that this combination works best for the business as a whole.

Board performance evaluation

An evaluation of Board and committee effectiveness was conducted in 2009. The evaluation took the form of discussions and meetings with the Directors in relation to the Board and any committee of which they were a member at the time of the evaluation. The evaluation was continuous to ensure a full review was undertaken at points across the year. One area that was raised was the potential effects of changing legislation with the full implementation of the Companies Act 2006. In response to this feedback, additional briefings were offered on this area and undertaken in November 2009. The Board concluded that the Board and its committees continue to operate effectively in accordance with the Companies Act 2006 and good corporate governance.

The performance of individual Executive Directors is appraised annually by the Chief Executive, to whom they report. The performance of the Non-Executive Chairman, Eric Walters in 2009, was reviewed by the Non-Executive Directors, led by Martin Bolland, taking into account the views of the Executive Directors for the period ending December 2009.

The performance review of the Chief Executive is conducted by the Non-Executive Chairman, taking into account the views of other Directors. Non-Executive Directors' performance is reviewed by the Non-Executive Chairman, taking into account the views of other Directors.

The Board considered, as it had in previous years, the merit of using an external body to manage the performance evaluation process. It concluded that it remained appropriate for the Deputy Company Secretary to manage the performance evaluation process and act in accordance with the feedback received. This ensures that actions could be undertaken in line with the requirements of the business without incurring additional costs.

Appointment, re-appointment and removal of Directors

Directors are appointed and may be removed in accordance with the Articles of Association of the Company and the provisions of the Companies Act.

All Directors are subject to election at the first Annual General Meeting after their appointment and to re-election at intervals of no more than 3 years in accordance with the Combined Code and the Company's Articles of Association.

No person, other than a Director retiring at the meeting, shall be appointed or re-appointed a Director of the Company at any general meeting unless he/she is recommended by the Directors.

No person, other than a Director retiring at a general meeting as set out above, shall be appointed or re-appointed unless between 7 and 35 days' notice, executed by a member qualified to vote on the appointment or re-appointment, has been given to the Company of the intention to propose that person for appointment or re-appointment, together with notice executed by that person of his/her willingness to be appointed or re-appointed.

The Non-Executive Chairman and, where appropriate, the Non-Executive Directors have, following the evaluation process described above, considered the performance of Paul Pindar, Simon Pilling and Bill Grimsey, who are subject to re-election at the 2010 Annual General Meeting and are satisfied that they continue to be effective and demonstrate a clear commitment to the role.

Membership of the committees

Membership of the Company's standing committees during the year is shown below:

	Eric Walters	Martin Bolland	Martina King	Bill Grimsey
Nomination	(C)✓	✓	✓	✓
Remuneration		✓	(C)✓	✓
Audit		(C)✓	✓	✓

(C) Chairman

Following changes to the Board on 1 January 2010 the committees are as follows:

	Martin Bolland	Martina King	Bill Grimsey
Nomination	(C)✓	✓	✓
Remuneration	✓	(C)✓	✓
Audit	(C)✓	✓	✓

(C) Chairman

Martin Bolland will stand down from both the Remuneration Committee and the Audit Committee once appropriate replacements are recruited to the Board. Paddy Doyle is not independent and therefore will only be appointed to the Nomination Committee, but will be available to the Audit and Remuneration Committee as required.

Nomination Committee

The Nomination Committee in 2009 comprised Eric Walters (Committee Chairman), Martin Bolland, Martina King and Bill Grimsey. The Committee reports to the Board and its role is to seek suitably skilled and experienced candidates to be Directors and ensure plans are in place for orderly succession of appointments to the Board.

When considering the constitution of the Board, the Nomination Committee carries out a rigorous review, taking into account the need for a progressive refresh of the Board. Core competencies and attributes required to fill the roles are set out and independent external search consultants engaged, where appropriate, to identify potential candidates. The Chairman of the Company never takes part in any discussions regarding the consideration of the appointment of a new chairman.

During the year the Nomination Committee has considered the succession planning of the Board. Paddy Doyle was considering reducing further his business commitments; however the Committee felt that his experience continued to be of value to the Board going forward and therefore proposed to the Board that Paddy became a Non-Executive Director from 1 March 2010. Eric Walters decided in November 2009 that he wanted

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to stand down from the Board. Martin Bolland chaired the Nomination Committee regarding initial discussions concerning Eric Walters' succession. As Martin Bolland was proposed as a potential candidate for the role of Non-Executive Chairman, it was decided that the appointment of the Non-Executive Chairman should be discussed by the Board as a whole. Therefore the decision to appoint Martin Bolland as Non-Executive Chairman was taken by the Board. Martin Bolland and Eric Walters did not take part in this decision.

Audit Committee

The Audit Committee comprised the Non-Executive Directors throughout 2009. Martin Bolland was and remains Chairman of the Audit Committee and he has significant recent and relevant financial experience, including being a qualified Chartered Accountant. The other members of the Audit Committee are Martina King and Bill Grimsey. Audit Committee meetings are attended, by invitation, by the Non-Executive Chairman, Chief Executive, Group Finance Director, Director Group Compliance, Director Group Risk and Business Assurance and by representatives of the external Auditors.

The Committee met 4 times during the period. Meetings are planned around the financial calendar for the Company and the meeting held in May is specifically to focus on the risk, internal control and compliance agendas.

The Chairman of the Committee is directly available to and holds regular meetings with the Director Group Compliance, Deputy Company Secretary, Director Group Risk and Business Assurance and external Auditors.

During the year, the Committee reviewed its terms of reference and ensured that these remained in line with the guidance given by the Financial Reporting Council and the Code. There were no proposed changes and this was presented to the meeting held in November 2009. The terms of reference include the approval of the appointment of the Director Group Risk and Business Assurance.

The Committee is also responsible for the policies on whistleblowing and the provision of the non-audit services by the external Auditors. Both policies are published on the Company's employee intranet.

In accordance with the terms of reference the Committee met separately with the Auditors independently of the Executive Directors and also with the Director Group Risk and Business Assurance.

The Committee reviewed a wide range of financial reporting and related matters during the year, including the half year and annual accounts prior to their submission to the Board. The Committee focused in particular on critical accounting policies and practices adopted by the Group and any significant areas of judgement that materially impact on reported results.

It also monitored the internal controls that are operated by management to ensure the integrity of information reported to shareholders.

The Committee reviewed and approved the Representation Letter required by the Auditors.

The Committee provides a forum for reporting by the Group's Auditors, and it advises the Board on the appointment, independence and objectivity of the Auditors and on the remuneration for both statutory audit and non-audit work. It also discussed the nature, scope and timing of the statutory audit with the Auditors. The Audit Committee annually performs an independent assessment of the suitability and performance of the Auditors in making its recommendation to the Board for their re-appointment.

The Committee met with the Group Finance Director to discuss the re-appointment of the Auditors and their performance over the preceding 12 months. This discussion also included the scope of the audit that was required. This process meant the Committee could discuss in detail the re-appointment and recommend the re-appointment of the Auditors to the Board, which it did.

At the meeting to review the 2009 Annual Report and Accounts, the Committee considered the level of non-audit services being provided by the Group's Auditors in order to satisfy itself that the objectivity and independence of the Auditors were safeguarded. Details of audit and non-audit fees are given in note 8 on page 101. The lead audit partner is rotated at least on a 5-yearly basis.

The Committee has responsibility for reviewing the annual business assurance programme and for ensuring that the Group Risk and Business Assurance function is adequately sponsored and resourced. The Committee is kept apprised of all key issues across the Group and the potential risks to the business. It also monitored the resourcing levels and performance of the Group's Compliance function. In November 2009 the Committee reviewed and approved these business plans.

Martin Bolland will continue to be Chairman of the Audit Committee until a new Independent Non-Executive Director with relevant financial experience is appointed. Although this is not compliant with the Combined Code, Martin Bolland does have the relevant financial experience and the other Non-Executive Directors at this time do not. It was therefore decided that the current arrangements were in the best interests of both the shareholders and the Company.

Remuneration Committee

Details of the Remuneration Committee and its activities are given in the Directors' remuneration report on pages 79 to 84.

The terms of reference of the Nomination, Remuneration and Audit Committees were reviewed during the year. The terms of reference are displayed in the investor centre at www.capita.co.uk/investors.

Board and committee members, frequency of meetings and attendance

During 2009 the Board met 9 times, excluding ad hoc meetings, solely to deal with procedural matters. The Nomination Committee and the Remuneration Committee met once and 3 times during the year, respectively. The Audit Committee met 4 times during the year. Attendance is recorded in the table below.

	Board meetings	Nomination Committee meetings	Remuneration Committee meetings	Audit Committee meetings
Scheduled meetings	9	1	3	4
Eric Walters	9	1	–	–
Paul Pindar	9	–	–	–
Gordon Hurst	8	–	–	–
Paddy Doyle	9	–	–	–
Simon Pilling	7	–	–	–
Maggi Bell	9	–	–	–
Martina King	8	1	3	4
Bill Grimsey	8	1	3	4
Martin Bolland	9	1	3	4

Any Directors' non-attendance at Board meetings or meetings of the Audit, Remuneration or Nomination Committees was due to illness or an absence previously agreed with the Chairman of the Board, the Chief Executive or the Chairman of the relevant committee.

Dialogue with institutional shareholders

The Board encourages and seeks to build a mutual understanding of objectives between the Group and its institutional shareholders. As part of this process the Executive Directors make regular presentations and meet with institutional shareholders to discuss any issues of concern, to obtain feedback and to consider Corporate Governance issues. All the Non-Executive Directors are available to meet with shareholders to understand their views more fully. The Non-Executive Chairman is personally available to the significant shareholders in the Group.

The Corporate Communications team has effective day-to-day responsibility for managing shareholder communications and always acts in close consultation with the Board. A Disclosure Committee consisting of the Corporate Communications Director, Chief Executive and Group Finance Director ensures all appropriate communications are made to the London Stock Exchange and shareholders. Shareholders can also access up-to-date information through the investor centre section of the Group's website at www.capita.co.uk/investors. A telephone helpline, 0871 664 0300, provides a contact point directly to the Group's registrars.

All members of the Board, including the Non-Executive Directors, receive a report on any significant discussions with shareholders and feedback that follows the annual and half-yearly presentations to investment analysts and shareholders. All brokers' reports and analysts' briefings concerning Capita are circulated to the Directors.

The Board encourages shareholders to attend its Annual General Meeting. Directors, including the chairpersons of the various committees, are present to answer any questions. The Group encourages communication with and the participation of private investors at the Annual General Meeting.

Social and environmental responsibility

Details of how the Group manages its social and environmental responsibilities can be found on pages 32 to 40 and at www.capita.co.uk/corporate-responsibility.

Internal control

The Board is responsible for the Group's system of internal control and for regularly reviewing its effectiveness. Procedures have been designed for, inter alia, the safeguarding of assets against unauthorised use or disposition, maintaining proper accounting records and the reliability of financial information used within the business or for publication. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses or fraud. There is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout the year under review and up to the date of approval of the 2009 Annual Report and Accounts. This process is regularly reviewed by the Board. The Group's key internal control procedures include the following:

- The Board has responsibility to set, communicate and monitor the application of policies, procedures and standards in areas including operations, finance, legal, commercial and regulatory compliance, human resources and health and safety, information security and property management and corporate social responsibility and the environment and these policies are cascaded to the businesses via the MOB review process
- Authority to operate the individual businesses comprising the Divisions that make up the Group is delegated to their respective Managing Directors, within limits set by the Group including the recruitment of the underlying management teams. The Board establishes key operational, functional and financial reporting standards for application across the whole Group and this is cascaded through the MOB review process. These are supplemented by operating standards set by local management teams, as required for the type of business and geographical location of each subsidiary and business unit
- Comprehensive annual financial plans are prepared at the individual business unit level and summarised at a Divisional and Group level. Financial plans are reviewed and approved by the Board following challenge within the MOB review process. Capital expenditure is subject to rigorous budgetary control beyond specified levels and detailed written proposals have to be submitted to the Board. Expenditure on acquisitions is the subject of appropriate consideration, review and approval by the Board
- Results are monitored routinely by means of comprehensive management accounts and actual progress against plan is challenged directly by Executive Directors of the Board on a Group-wide basis and at the business unit level each month

- A framework is in place to identify, assess and mitigate the major business risks, including credit, liquidity, operations, reputation, information security, regulatory and fraud. The framework also includes specific provision for risk-based due diligence in respect of business acquisitions and new customer contracts. Exposure to business risk is monitored as an integral part of the MOB review process and by the Audit Committee
 - The Group risk framework is supplemented in certain of the Group's businesses, including all financial services related business streams, by a number of formally constituted local boards, which in turn are underpinned by dedicated risk committees. These committees provide an appropriate means to routinely monitor the risk profile of these businesses, including regulatory risks, and for proposed mitigating actions to be challenged and tracked
 - The Group risk management framework is monitored and developed as required by the Group Risk and Business Assurance function, in conjunction with the Group Compliance function, to ensure that it remains appropriate to business requirements and consistent with best practice
 - The Group Risk and Business Assurance function reports to the Group Finance Director and independently to the Audit Committee. In addition to independently facilitating the Group's risk management framework, it delivers a risk-based internal audit programme, to provide assurance on the effectiveness of the internal control structures operating across the business. The annual audit programme is focused on areas of greatest risk to the Group, as determined by the Group risk framework, and the independent view of those risks is taken by the Group Risk and Business Assurance function
 - In addition, regulatory risks and compliance matters are overseen by the Group Compliance function reporting through the Group Finance Director and independently to the Audit Committee. The Group Compliance team, in conjunction with dedicated compliance teams within the relevant businesses, independently monitor regulatory compliance by way of risk-based work programmes and support operations in identifying and mitigating regulatory risks as an integral part of the Group risk framework
 - Both the Group Compliance function and the Group Risk and Business Assurance function routinely appraise the Group's senior management and the Audit Committee of their work programmes and findings.
- The Board keeps under review the effectiveness of this system of internal control. The key mechanisms used by the Board to achieve this include regular MOB review reports, periodic updates from the Audit Committee based on its review of risk management, business assurance and compliance reports by the relevant Group functions; discussions with and reports from the external Auditors and other advisers, and periodic reports from relevant regulators.

Based on the above, the Board has concluded that it is satisfied with the process of monitoring the effectiveness of internal controls and complies with the Internal Control Guidance for Directors in the Combined Code issued by the Institute of Chartered Accountants in England and Wales and in the revised Turnbull Guidance (2005). The Board and the Audit Committee have performed a Group-wide review of the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the Combined Code for the period from 1 January 2009 to the date of approval of this Annual Report and Accounts.

The implications of the Arch cru situation are still being evaluated as explained in note 4 on page 97 and note 25 on page 111. Subject to this evaluation, no significant failings or weaknesses have been identified in the Group-wide review. Notwithstanding this, the controls within Capita Financial Managers have been reviewed and enhanced.

Risk management and governance is also referred to on pages 22 to 23 and 27 to 28 in this report.

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Group activities

The Group is a leading UK provider of business process outsourcing solutions and professional support services to organisations across the public and private sectors. The Group's 9 chosen markets are in the public sector: central government, local government, education, health and transport, and in the private sector: life and pensions, insurance, financial services and other corporates.

On behalf of its clients, the Group aims to improve service quality, reduce costs of delivery and enable them to transform the way that they deliver services to their customers. The services that the Group provides are essential to the smooth running and success of its clients' operations. The Group designs, successfully implements and manages tailored service solutions, ranging across administration, information technology, financial, human resources, property and customer service functions. The Group maintains leading positions in the majority of its markets due to its scale and ability to draw on its wide base of professional services, detailed market knowledge and extensive business process transformation and change management skills.

During the period under review, the Group's business divisions were reorganised. The Board decided the reorganisation was necessary to manage the continued growth in the business and to enhance service provisions across the Group. The Group's principal activities are now managed through 5 operating divisions comprising: Insurance & Investor Services; ICT, Health & Business Services; Life & Pensions; Professional Services and Integrated Services. Group support services report direct to Group Executive Directors.

A review of the development of the Group and its business activities during the year is contained in the Business Review on pages 1 to 40. Our divisional operations and financial performance are detailed on pages 58 to 64.

Profits and dividends

The Group underlying profit before taxation amounted to £325.1m (2008: £277.2m). The Directors recommend a final dividend of 11.2p per share (2008: 9.6p per share) to be paid on 24 May 2010 to ordinary shareholders on the Register on 16 April 2010. This gives a total dividend for the year of 16.8p per share (2008: 14.4p per share).

The Employee Benefit Trust has waived its right to receive a dividend on the shares being held within the Trust.

Directors

The Directors of the Company currently in office are listed on pages 70 to 71. Paul Pindar, Simon Pilling and Bill Grimsey will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. No Director has a service contract exceeding 1 year.

Conflicts policy

Under the Companies Act 2006, directors are under an obligation to avoid situations in which their interests can or do conflict, or may possibly conflict, with those of the Company. In response to the conflicts of interest provisions, a comprehensive project was undertaken in 2008 to identify and disclose any conflicts of interest that have arisen or may arise across the Group. Procedures were implemented for evaluating and managing conflicts that have been identified in a way that ensures that decisions are not compromised by a conflicted director. In addition, the Company's Articles of Association give the Board the power to authorise matters that give rise to actual or potential conflicts. The Board reports annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed. A policy for ongoing identification and disclosure of conflicts is in place and is kept under regular review.

The Board has authorised the conflict of Gordon Hurst being a trustee of both the Capita Pension and Life Assurance Scheme and the Capita Group Money Purchase Scheme, and gave specific guidance on this conflict going forward. Gordon Hurst did not participate in the discussion or vote on the guidance given. No other conflicts of interest declared were material to the Board. All conflicts of interest are reviewed on an annual basis by the Board and are revisited as part of the year-end process by the Directors.

None of the Directors of the Company had a material interest in any contract with the Company or its subsidiary undertakings other than their contracts of employment.

Voting rights and share capital

On 19 February 2010 the Company had received notifications that the following were interested in accordance with DTR 5:

Shareholder	No. of shares	Percentage of ISC as at 19 Feb	No. of shares Direct	No. of shares Indirect
Invesco	90,928,607	14.55%		90,928,607
Baillie Gifford & Co	35,854,749	5.74%		35,854,749
Capital Research and Management Company	34,595,933	5.54%		34,595,933
FMR LLC & Fidelity International	28,476,638	4.56%		28,476,638
Legal & General	27,087,168	4.34%	24,009,959	3,077,209
Deutsche Bank	18,680,548	2.99%	18,680,548	

At the date of this report, 624,780,161 ordinary shares of 2¹/₁₅p each have been issued and are fully paid up and are quoted on the London Stock Exchange. During the year ended 31 December 2009, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 3,355,841 new ordinary shares. A further 195,823 new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this report. 7,805,218 of the issued share capital is held within an Employee Benefit Trust for the use of satisfying employee share options.

The Company renewed its authority to repurchase up to 10% of its own issued share capital at the Annual General Meeting in May 2009. During the year the Company did not acquire any ordinary shares (2008: 10,355,046) ordinary shares. Therefore during the year no shares (2008: 10,355,046) were transferred to the Employee Benefit Trust. No shares were cancelled during the year and there are no shares held in treasury.

Rights and restrictions attaching to shares

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

At any General Meeting a resolution put to vote at the meeting shall be decided on a poll. This will be a change from previous years, but the Company feels that this is in line with best practice. On a poll every member who is present in person or by proxy shall have one vote for every share of which they are the holder.

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

Restrictions on transfer of shares

The Company's Articles of Association allow Directors to, in their absolute discretion, refuse to register the transfer of a share in certificated form which is not fully paid. They may also refuse to register a transfer of a share in certificated form unless the instrument of transfer is lodged, duly stamped, at the registered office of the Company, or at such other place as the Directors may appoint and (except in the case of a transfer by a recognised person where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates

and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. They may also refuse to register any such transfer where it is in favour of more than 4 transferees or in respect of more than 1 class of shares.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 1 to 68. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 22 to 26. In addition note 26 to the financial statements on page 111 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with long term contracts with a wide range of public and private sector clients and suppliers. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, and in accordance with the FRC's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009", the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Disabled persons

It is the Group's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be retrained for other positions in the Group.

Employee involvement

The Group is committed to involving all employees in the performance and development of the Group. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development. The Group supports employees through a comprehensive range of key business and management skills courses and an annual management development programme. Capita Academy and Capita Managers Academy were launched at the end of 2009 to provide a more comprehensive approach to key skills training and personal development.

The Group encourages all its employees to participate fully in the business through open dialogue. Employees receive news of the Group through: frequent email notices; internal notice board statements; Capita Connections, the Group employee intranet, and Capita Online, a regular email communication reviewing the performance of the Group from the perspective of the Directors. During 2009, the Company's intranet was redeveloped and re-launched to meet the needs of all our employees. These communication initiatives enable employees to manage their work more efficiently and to share information within and between business units and employees are encouraged to contribute news, views and feedback. The Group maintains a strong communications network and employees are encouraged, through its open door policy, to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Group.

The Capita Sharesave Scheme, an employee Save As You Earn Scheme, and the Capita Share Ownership Plan, a share incentive plan, are both firmly established and are designed to promote employee share ownership and to give employees the opportunity to participate in the future success of the Group. Approximately 23% of the Group's eligible employees have share options or own Capita shares.

In keeping with its belief that employees are the Group's most valuable asset, the Group operates employee awards schemes. These celebrate the core values that embody the organisation and reward employees for service excellence, effective teamwork, service to the community and innovation.

Payment of suppliers

The Company aims to pay suppliers in accordance with the suppliers' contract terms. In 2009 the Company had an average of 40 days' purchases (2008: 41 days' purchases) outstanding in trade creditors.

Charitable and political donations

During the year charitable donations amounted to £0.5m (2008: £0.6m). No political contributions were made. Further details of the Group's charitable donations and work within the community can be found on pages 39 and 40 and at www.capita.co.uk/corporate-responsibility.

Financial instruments

The Group's financial instruments primarily comprise bonds, bank loans, finance leases and overdrafts. The principal purpose of these is to raise funds for the Group's operations. In addition various other financial instruments such as trade creditors and trade debtors arise directly from its operations. From time to time, the Group also enters into derivative transactions, primarily interest rate swaps, currency swaps and forward exchange contracts, the purpose of which is to manage interest risk and currency risk, arising from the Group's operations and its sources of finance.

The main financial risks, to which the Group has exposure, are interest rate risk, liquidity risk, credit risk and foreign currency risk.

The Group borrows in selected currencies at fixed and floating rates of interest and makes use of interest rate swaps and currency swaps to generate the desired interest profile and to manage its exposure to interest rate fluctuations.

In respect of liquidity risk, the Group aims to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bonds, bank loans, unsecured loan notes, finance leases and overdrafts, over a broad spread of maturities.

In respect of credit risk, the Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the Group, such as cash, financial investments and derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to seek assurance from the counterparties to ensure that they can fulfil their obligations.

The Group is not generally exposed to significant foreign currency risk, except in respect of its overseas operations in India, which generates exposure to movements in the Indian Rupee exchange rate. The Group seeks to mitigate the effect of this exposure by entering forward currency instruments, in the form of non-deliverable forward contracts, to fix the Sterling cost of highly probable forecast transactions denominated in Indian Rupees. Further details of the Group's financial instruments can be found in note 26 to the consolidated financial statements on page 111.

Corporate governance

Qualifying third party indemnity provisions for the benefit of Directors

Under the Companies Act 2006, companies are under an obligation to disclose any indemnities which are in force in favour of their directors. The current Articles of Association of the Company contain an indemnity in favour of the Directors of the Company which indemnifies them in respect of certain liabilities and costs that they might incur in the execution of their duties as Directors. Copies of the relevant extract from the Articles of Association are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the venue of the 2010 Annual General Meeting from 15 minutes before the meeting until it ends.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Auditors will be put forward at the forthcoming Annual General Meeting.

The Company is committed to ensuring appropriate independence in its relationship with the Auditors and the key safeguards are:

- The Group Finance Director monitors the independence of the Auditors as part of the Group's assessment of auditor effectiveness and reports to the Audit Committee
- The Audit Committee routinely benchmarks the level of the audit fee against other comparable companies both within and outside of its sector, to ensure ongoing objectivity in the audit process
- The Group Finance Director monitors the level and nature of non-audit fees accruing to the Auditors, and specific assignments are discussed in advance with the Auditors and flagged for the approval of the Audit Committee as appropriate and in accordance with the Company's policy on the provision of non-audit services by the Auditors. The Audit Committee reviews, in aggregate, non-audit fees of this nature on an annual basis and considers implications for the objectivity and independence of the relationship with the Auditor.

Ensuring conflicts of interest are avoided is a fundamental criterion in the selection of any third party auditor for assignments with which the Group is involved. Such conflicts may arise across public or private sector customers and key supplier relationships, for example, and are a key determinant in the award process for external audit assignments.

Powers of Directors

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

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

Change of control

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

The Group has a number of borrowing facilities provided by various banks and other financial institutions. The Group's bank debt contains a change of control provision under which the banks may require immediate repayment in full on change of control. The bonds issued by the Group contain a change of control provision which requires the Group to offer to prepay the bonds in full if a change of control event occurs and the Group does not obtain an investment grade credit rating.

There are no other significant contracts in place that would take effect, alter or terminate on the change of control of the Company.

Statement of Directors' responsibilities in respect of the financial statements and auditors

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditors are unaware.

Each of the Directors has taken all steps that a Director might reasonably be expected to have taken to be aware of all relevant audit information and to establish that the Company's Auditors are aware of that information.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at anytime the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of each Director's knowledge, the financial statements contained within this 2009 Annual Report and Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and the Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face. Details of the principal risks and uncertainties can be found on page 28.

Annual General Meeting

The 2010 Annual General Meeting (AGM) of the Company will be held at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB, on 11 May 2010. At the AGM a number of resolutions will be proposed. The resolutions are set out in the Notice of Meeting, which was sent to shareholders with the 2009 Annual Report and Accounts and includes notes explaining the business to be transacted. In May 2009, shareholders granted authority for the Company to purchase up to 62.1m ordinary shares which will expire at the conclusion of the 2010 AGM. No shares were purchased during 2009. A resolution to renew this authority will be put to shareholders at that meeting.

At the AGM in May 2009 the Directors proposed that the name of the Company be changed to Capita plc with effect from 31 December 2009. Unfortunately due to a change in the regulations implemented on 1 October 2009 and outside of our control, we are unable at this time to change the Company name. We will keep this potential change under review.

Directors' remuneration report

As required by the Companies Act 2006, Statutory Instruments 2008/410 the large and medium sized companies and groups (accounts and reports) Regulations 2008 and to meet the Listing Rules of the UK Listing Authority, the Directors present the report on Directors' remuneration for the year ended 31 December 2009.

The following information is not subject to audit.

Executive summary

This summary provides an overview of Directors' remuneration in 2009 and outlines the changes to the previous year.

The grants made under the Long Term Incentive plan (LTIP 2008) were:

Director	Number of nil cost options
Paul Pindar	165,000
Simon Pilling	120,000
Gordon Hurst	120,000
Maggi Bell	80,000
Paddy Doyle	48,000

Under this plan up to 165,000 nil cost options can be granted or 300% of an individual's salary, whichever is the greater. The Remuneration Committee have chosen to award the maximum to Paul Pindar in line with its objectives to award lower fourth quartile basic salary with top quartile performance related rewards.

Base salaries

Due to the weak economic conditions in 2009 the basic salaries of Executive Directors and senior management were held at 2008 levels, apart from those in positions who were promoted or changed their responsibilities. This will be continued for 2010. The Committee believes that it is important that the pay freeze reflects the remuneration decisions being taken across our businesses. The Committee noted that all employees are paid in accordance with the market conditions and business requirement for their role. There is no system of comparing the differential across the Group as it consists of a diverse mix of businesses and it would reduce the ability for salaries to be decided at a business level. It is also important that the remuneration for all our employees is decided on the business need and market conditions for any given role. We believe that this policy keeps us competitive as a business and within the sector in which we operate.

Annual bonuses

In 2009, each Executive Director was awarded a bonus of 105% of base salary. The bonuses are awarded on the achievement of an annual target based on underlying profit before tax set at the beginning of the year by the Remuneration Committee and approved by the Board.

Although full achievement of the annual target was met on an underlying basis, the Remuneration Committee decided that the bonus should be scaled back. This was due to the exceptional item in respect of estimated costs of £30m to resolve the issue of the suspension of 2 OEIC investment funds for which Capita Financial Managers is the authorised corporate director. This is explained further in note 4 on page 97 and in note 25 on page 111.

The bonus has been split between 35% of salary payable in cash and the remaining 70% in Deferred Shares under the Deferred Annual Bonus Plan. This is a reduction of 25% of the total bonus that would otherwise have been awarded. The Deferred Annual Bonus Plan also includes a matching award of up to 1.5 shares for each deferred share dependent on achievement of certain performance criteria over a 3 year period.

The bonus for the year therefore reflects the performance of the Company and has been weighted towards long term share based incentives, strongly linking the interests of the Executive Directors with those of the Group's shareholders.

Deferred Annual Bonus Plan (DAB)

It was agreed that the vesting schedule would be amended to start the vesting at EPS growth of RPI + 4% per annum – 33% of the award will vest and full vesting at EPS growth of RPI +14% per annum for awards from 2010. The Remuneration Committee decided to reduce the EPS growth targets on the matching award by 2% compared with previous awards. The new targets are considered to be stretching compared to many FTSE companies especially as this growth is being measured from a high base point given Capita's earnings growth over the last 5 years. This would bring this plan in line with the Long Term Incentive Plan.

Following the introduction of the 50% tax rate by the Government, a review was undertaken of the share plans and the impact that this change would have on the participants.

In respect of the Deferred Annual Bonus Plan it was agreed that the use of restricted shares would be made available to the Directors. This meant that they could choose to turn their deferred award into restricted shares and pay the tax and national insurance due prior to the tax rate change. The restricted shares are held in trust and have the same conditions as the deferred award. No change was made to the matching awards as there are performance conditions attached to these and this would have required an early vesting for these awards.

There was no impact to the accounting treatment of these awards and no detriment to the Company in respect of the changes made to the DAB.

The DAB is due to expire in 2010. The Company will seek to renew this plan for a further 10 years at the forthcoming AGM.

Long Term Incentive Plan (LTIP 2008)

It has been agreed that the full vesting of this award would be at EPS growth of RPI +14% per annum for awards from 2010.

The Committee considered the stretching nature of the performance conditions and it was felt that this continued to be a challenging target for the Executive Directors and no less challenging to previous awards. They also considered other measures for the performance conditions and this included Total Shareholder Return (TSR) and also softer objectives. It was concluded that an auditable target was most appropriate and that other objectives would be part of the annual review of the Director.

Remuneration strategy and policy for Executive Directors

The table below shows our remuneration strategy and policy for our Executive Directors and how these link to the package of remuneration:

Strategy	Policy	Package
To provide a remuneration package that:		
– Is aligned to shareholders' interests	– Set base salary at lower quartile level	– Base salary – Annual bonus
– Is competitive in the current market and our business sector	– Reward upper quartile performance with upper quartile rewards	– Deferred bonus – Long Term Incentive Plan
– Encourages and supports a high performance culture	– Balance between short and long term rewards with a balance on longer term rewards	– Share matching plan
– Attracts, retains and motivates	– Competitive package of benefits	– Pension provision – Car allowance – Healthcare – All employee share plans

Directors' remuneration report

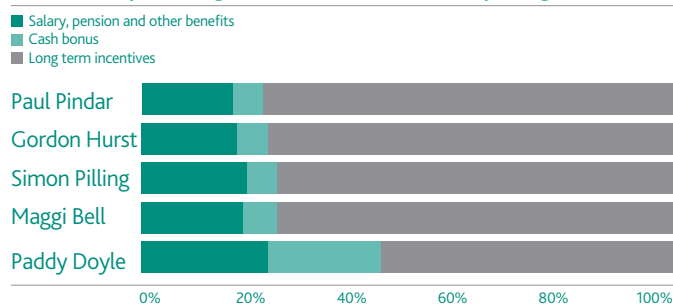
Summary table of remuneration for 2009 for Executive Directors



Paddy Doyle has been awarded all his bonus in cash due to a change in role to Non-Executive Director from 1 March 2010.

This does not show the Matching Award or LTIP awarded in year that will mature in 2012.

Summary of salary, cash bonus and long term incentives for Executive Directors as percentage of overall remuneration package



Paddy Doyle has been awarded all his bonus in cash due to a change in role to Non-Executive Director from 1 March 2010.

Capita's Remuneration Committee is satisfied that the remuneration policy is appropriate, particularly with regard to total executive remuneration and Group performance. The Committee plans to continue this approach in its future remuneration policy. Consistent with this principle, approximately half of an Executive's target total remuneration is performance-linked and weighted to the long term. This percentage increases in the case of performance above target. For further information regarding the remuneration strategy for Directors and the wider workforce please see page 37.

Remuneration Committee membership

Martina King was Chairperson of the Remuneration Committee throughout the year. Membership of the Remuneration Committee during the year is shown below. Eric Walters was a member of the Remuneration Committee in 2008, but stood down as a member at the beginning of 2009.

The Committee met 3 times and the attendance is shown below:

Name of Director	Number of meetings attended
Martina King	3
Bill Grimsey	3
Martin Bolland	3

Terms of reference

The Remuneration Committee has formal terms of reference and these are agreed by the Board. These include:

- Setting and reviewing performance targets
- Determining remuneration and benefits for Executive Directors and senior management
- Determining contractual terms for Executive Directors
- Granting of long term incentive plan options.

The Committee also considers the remuneration packages within the organisation when reviewing the Executive Directors' remuneration.

The terms of reference for the Committee are reviewed annually and updated as required. The terms of reference were recommended and approved by the Board. These are available at www.capita.co.uk/investors or copies can be requested from the Company Secretary.

Advisers to the Committee

During 2009 the Committee sought advice from PricewaterhouseCoopers (PwC), the remuneration advisers, as required. Paul Pindar was invited to provide further information to the Committee on the performance and proposed remuneration for the Executive Directors and other senior management.

PwC also provide services in respect of overseas tax compliance, share plans and other ad hoc tax projects.

KPMG were also engaged to review some elements of the Long Term Incentive Plan and the Deferred Annual Bonus during the year. KPMG also provides services in respect of share plans and ad hoc tax projects.

Combined Code

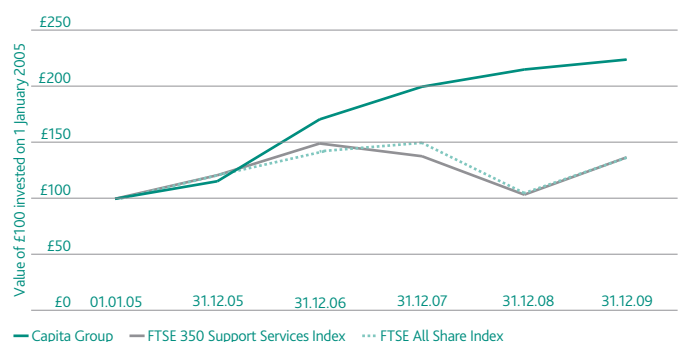
The Company has complied with the provisions set out in Section B of the Financial Reporting Council's Combined Code on Corporate Governance (June 2008).

The Remuneration Committee confirmed that the remuneration strategy and policies remained in line with the Financial Services Authority guidance, sent out in October 2008.

Comparison of Total Shareholder Returns

The following chart compares the value of an investment of £100 in the Company's shares with an investment of the same amount in the FTSE All Share Index and the FTSE 350 Support Services Index over the 5 years starting 1 January 2005 and ending 31 December 2009 assuming that all dividend income is reinvested. The Committee is of the opinion that this comparison provides a clear picture of the performance of the Group relative to both a wide range of companies in the United Kingdom and also a specific group of companies within the same sector.

Capita vs. FTSE All Share Index and FTSE 350 Support Services Index Value of investment of £100 on 1 January 2005



A £100 investment in Capita shares on 1 January 2005 would be worth £224.60 at 31 December 2009 compared to £137.10 for an investment in the FTSE All Share Index and £136.80 for an investment in the FTSE 350 Support Services Index.

Elements of remuneration

Basic salary and benefits

The Committee regularly commissions independent reviews of the salaries and benefits of the Executive Directors. The policy adopted by the Committee requires that basic salaries and benefits be below those provided to comparable roles in comparable companies to enable the provision of a higher performance-related element of remuneration.

This low basic salary policy allows the Directors to provide a lead in terms of keeping fixed remuneration costs low across the Group as a whole and is reflective of the Group's remuneration policy in general. The continued success of the Group has enabled it to provide the benefits of a highly geared reward structure which delivers a competitive total remuneration package.

Annual bonus

The maximum annual bonus potential for Executive Directors is 140% of salary. The value of the annual bonus is determined at the start of the financial year and payment triggered at a pre-determined Group profit before tax target.

Information on the bonuses paid for the period to 31 December 2009 is detailed on page 79.

Non-Executive Directors

Non-Executive Directors' fees reflect the time, commitment and responsibilities of the role. They are reviewed annually and determined by the Executive Directors. The fees paid to the Non-Executive Directors include consideration of all the responsibilities that they are asked to undertake. The Non-Executive Directors have equal responsibilities and therefore receive equal pay.

Non-Executive Directors' fees were held at 2008 levels of £42,500. They are not paid further amounts for specific duties and responsibilities, such as chairing a committee. Eric Walters was paid £105,000 per annum as Chairman of the Group to the end of 2009. Non-Executive Directors fees are reviewed regularly.

Service contracts

The service contracts for Executive Directors are for an indefinite period and provide for a 1 year notice period. They do not include provisions for predetermined compensation on termination that exceed 1 year's salary and benefits. There are no arrangements in place between the Company and its Directors that provide for compensation for loss of office following a takeover bid.

All Directors are appointed for an indefinite period but are subject to re-election at the Annual General Meeting every 3 years.

Details of the contracts are set out below:

Executive Directors	Date of contract	Notice period
Paul Pindar	17 December 2007	12 months
Gordon Hurst	17 December 2007	12 months
Paddy Doyle	17 December 2007	12 months
Simon Pilling	17 December 2007	12 months
Maggi Bell	1 August 2008	12 months

Paddy Doyle will move to a letter of appointment from 1 March 2010.

Non-Executive Directors	Date of joining the Board
Eric Walters*	1 January 2001
Martin Bolland	1 March 2008
Martina King	1 January 2005
Bill Grimsey	9 October 2006

* retired 1 January 2010

Share plans

Deferred Annual Bonus Plan (DAB)

The Deferred Annual Bonus Plan was approved and adopted at the Annual General Meeting on 28 April 2005. The DAB is comprised of Deferred Shares, which form part of the annual bonus scheme, and Matching Shares.

The Committee believes that this plan focuses participants on delivering strong year-on-year annual performance, which will in turn drive long term shareholder value creation. Executive Directors and Divisional Directors are eligible to participate in the DAB.

This plan is split into 2 elements. The Deferred Award (which can be awarded as a gross deferred award or as a net restricted share award) and this is made as part of the bonus for the year ending 31 December 2009. This part is not subject to performance conditions. The second part is awarded as a matching award which has performance conditions. This part is awarded as a ratio of 1.5 for each gross share awarded under the deferred award. Although this is a fixed amount the calculation is based on a percentage of salary. In 2009 this was 70% of base salary which is the maximum that could be awarded.

In February 2009, an aggregate of 151,176 Deferred Shares were awarded to Executive Directors at a price of 657.5p, being the market price determined, as detailed on page 83.

The DAB operates as follows:

The value of Deferred Shares is determined by the entitlement under the annual bonus scheme: half of the bonus entitlement is paid in cash and the remainder is deferred, on a gross basis, into deferred shares. The Deferred Shares are held for a period of 3 years from the date of award. They are only forfeited in the case of dismissal for gross misconduct.

A conditional award of Matching Shares is made at the same time as the award of Deferred Shares. Participants are eligible to receive up to 1.5 Matching Shares for every Deferred Share. Matching Shares vest after the 3 year holding period to the extent to which performance criteria have been met. During the year an aggregate of 226,762 Matching Shares were awarded to Executive Directors as detailed on page 83 and subject to the following performance conditions.

The Committee has decided that the performance condition that will apply to the Matching Shares is earnings per share (EPS) growth against the UK Retail Price Index (RPI). The Committee believes that long term EPS growth is the most appropriate performance condition for the Company as it is a key indicator of shareholder value creation. The EPS based performance conditions are as follows. The proportion of awards that vest will be determined by the following schedule:

- EPS growth of RPI + 6% per annum – 33% of the award vests
- EPS growth of RPI + 16% per annum – 100% of the award vests
- Straight-line vesting occurs between these points.

Performance conditions for 2010 Awards onwards

The performance conditions attached to the Matching Shares awards made under the bonus scheme may be amended by the Committee from time to time, subject to the new performance condition being no less demanding than the original condition.

The Committee has considered the challenging target set for both the Executive Directors and other participants of the scheme. It does feel that the targets are very challenging especially as this growth is being measured from a high base point given Capita's earnings growth over the last 5 years. Given this the Remuneration Committee has decided that awards made in 2010 will have the following vesting conditions:

- EPS growth at RPI + 4% per annum – 33% of the award vests
- EPS growth at RPI + 14% per annum – 100% of the award vests
- Straight-line vesting occurs between these points.

Although there are no non-financial targets for this plan, the annual appraisal process considers non financial measures and awards consider the prior year performance as a whole.

Directors' remuneration report

Long Term Incentive Plan (2008 LTIP)

The 2008 LTIP was approved and adopted at the Annual General Meeting on 6 May 2008. In calculating the LTIP awards granted to Executive Directors, the Committee considered that a fixed number of shares approach was preferable to fixing awards as a percentage of salary. Under the plan rules the Committee could award up to 3 times salary or a maximum of 165,000 shares. Paul Pindar has been awarded the maximum number of shares for the award in 2009.

On 20 March 2009, an aggregate of 533,000 shares were awarded to the Executive Directors, as detailed on page 79.

The vesting of awards made during 2009 will depend on share price growth and EPS growth targets measured over a 3 year period. An award will not vest if Capita's average share price at the date of vesting is below the average share price at the date of grant.

The proportion of awards that vest will be determined by the following schedule:

- EPS growth of RPI + 4% per annum – 20% of the award vests
- EPS growth of RPI + 16% per annum – 100% of the award vests
- Straight-line vesting occurs between these points.

The Committee may vary the performance conditions if it considers that the original conditions are not appropriate and a fair measure of performance. Where the performance conditions are not met, the award will lapse. There will be no re-testing of performance. The Committee has considered the challenging target this has set both the Executive Directors and other participants of the scheme. It does feel that the targets are very challenging especially in the current market. Given this the Remuneration Committee has decided that awards made in 2010 will have a maximum target of EPS growth of RPI +14% to achieve 100% vesting.

Although there are no non-financial targets for this plan, the annual appraisal process consider non-financial measures and awards consider the prior year performance as a whole.

Capita Share Ownership Plan (CSOP)

The CSOP is open to all employees of the Company under certain eligibility criteria, including Executive Directors. Under the plan, eligible employees may invest up to £125 per month in the Company's shares and the Company matches these at a ratio of 1 Matching Share for every 10 Participant Shares.

Save as you Earn (SAYE)

The SAYE is open to all employees of the Company, including Executive Directors, under certain eligibility criteria. Under the SAYE employees can save up to £250 per month for a period of 3 years and purchase shares at the price set at the beginning of the savings period. The SAYE is due to expire in 2010. The Company will seek to renew this plan for a further 10 years at the forthcoming AGM.

Executive Share Scheme

The 1997 Executive Share Option Scheme (including both HMRC approved and unapproved elements) is a discretionary scheme for senior managers, in which the Executive Directors no longer participate.

Options granted under the 1997 Executive Share Option Scheme become exercisable if the growth in the Company's EPS exceeds growth in RPI by 8% over the 3 year period from the date of grant.

Long Term Indexed Share Appreciation Scheme (LTISAS)

The LTISAS was only open to the Executive Directors and Divisional Directors. Under the scheme, participants were provided with 2 equal tranches of 600,000 options. The criteria were the same for each of these grants and therefore both tranches had performance periods that ended on 31 December 2006. The exercise price of the option was adjusted in line with the movement in the FTSE All Share Index from the date of grant to 25 November 2007. The adjusted exercise prices were 348p for the 2002 award and 474p for the 2004 award. This feature ensured that participants only gained if the share price out-performed the index.

As growth in the Company's EPS over the 3 year period to 31 December 2006 exceeded RPI growth by 17.6%, 100% of the options vested (representing 1,200,000 shares per participant) and became exercisable on 25 November 2007.

The last award under the LTISAS was made in November 2004 and vested in full on 31 December 2006 and no further awards have or will be made under this plan.

Satisfaction of options

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

Dilution

All awards are made under plans that incorporate dilution limits as set out in the Guidelines for Share Incentive Schemes published by the Association of British Insurers. The current estimated dilution from subsisting awards, including executive and all-employee share awards, is approximately 9.1% of the Company's share capital as at 31 December 2009.

The following information is subject to audit.

Directors' remuneration

The remuneration of the Directors is made up as follows:

	Salary and fees £	Benefits £	Performance related bonus £	Total 2009 £	Total 2008 £	Dividend equivalent for DAB	Gain on exercise of options 2009 £	Gain on exercise of options 2008 £	Pension 2009 £	Pension 2008 £
Martin Bolland	42,500	–	–	42,500	35,417	–	–	–	–	–
Paul Pindar	375,000	1,260	393,750	770,010	901,248	15,175	833,033	8,955,632	18,750	18,750
Gordon Hurst	275,000	17,160	288,750	580,910	659,148	10,910	577,676	38,495	13,750	46,270
Simon Pilling	285,000	15,377	299,250	599,627	634,696	8,501	450,309	–	49,150	43,617
Maggi Bell	225,000	15,384	236,250	476,634	378,827	8,501	660,502	–	–	–
Paddy Doyle	120,000	8,422	126,000	254,422	706,520	12,051	660,817	1,356,000	13,200	63,199
Martina King	42,500	–	–	42,500	42,500	–	–	–	–	–
Bill Grimsey	42,500	–	–	42,500	42,500	–	–	–	–	–
Eric Walters	105,000	–	–	105,000	105,000	–	–	–	–	–

Directors' interests

Shareholder	Shares held beneficially for Director in trust	31 December 2009 or date of appointment if later ordinary shares of 2½p	31 December 2008 or date of appointment if later ordinary shares of 2½p
Martin Bolland	–	12,500	12,500
Paul Pindar	45,903	1,451,613	1,451,613
Gordon Hurst	33,641	10,217	10,181
Simon Pilling	32,383	–	–
Maggi Bell	25,152	–	–
Paddy Doyle	–	27,077	26,741
Martina King	–	717	–
Bill Grimsey	–	12,209	12,209
Eric Walters	–	52,212	51,158

The Directors are required to hold part of their bonus as deferred share awards. Recently the Directors exercised options over these awards and turned them into shares known as restricted stock under the plan rules and these are held beneficially for them in trust. The amount held for them is shown above.

Directors' remuneration

	2009 £000s	2008 £000s
Basic salaries	1,279	1,227
Compensation	–	–
Benefits	58	61
Annual bonus*	1,344	1,988
Dividend equivalent for DAB	55	–
Pension contributions to the Group's defined contribution scheme	82	109
Pension contributions to external defined contribution pension schemes	13	63
Fees	233	257
Total	3,064	3,705

*The sum disclosed above represents the total value of the performance related bonus payable in respect of the year ended 31 December 2009. 35% will be paid in cash and the remainder will be settled through the issue of Deferred Shares as explained on page 79.

In addition, by way of salary sacrifice, the base salaries of Paddy Doyle and Simon Pilling have been reduced by, £7,200 (2008: £33,931) and £20,000 (2008: £16,666) respectively and paid into separate defined contribution schemes.

The benefits of Gordon Hurst, Simon Pilling, Maggi Bell and Paddy Doyle are in respect of private medical insurance and the provision of a company car allowance. The benefits of Paul Pindar, the highest paid Director, are in respect of a company car and private medical insurance.

Paul Pindar was released by the Company to serve as a Non-Executive Director of Debenhams Plc with effect from 9 May 2006. He receives £57,077 per annum in fees from Debenhams Plc which he retains.

Share plan awards

Deferred Annual Bonus Plan (DAB)

Details regarding the DAB can be found on page 81. The value of the Deferred Shares is included in the Performance Related Bonus figure in the first table above.

	At 1 January 2009	Awarded in the year	Matching Shares awarded in the year	Exercised in the Year	Matching Shares exercised in the Year	Market price at exercise	At 31 December 2009
Paul Pindar	308,484	39,923	59,884	49,431	74,146	674.1	284,714
Gordon Hurst	223,054	29,277	43,915	35,538	53,307	650.2	207,401
Simon Pilling	189,907	28,212	42,318	27,692	41,538	650.4	191,207
Maggi Bell	171,779	21,825	32,737	27,692	41,538	702.4	157,111
Paddy Doyle	244,462	31,939	47,908	39,254	58,881	673.3	226,174

The market price on the date of the award was 657.5p.

Directors' remuneration report

Long Term Incentive Plan (2008 LTIP)

	At 1 January 2009	Awarded in the year	Vesting date	At 31 December 2009
Paul Pindar	165,000	165,000	20-Mar-12	330,000
Gordon Hurst	120,000	120,000	20-Mar-12	240,000
Simon Pilling	120,000	120,000	20-Mar-12	240,000
Maggi Bell	30,000	80,000	20-Mar-12	110,000
Paddy Doyle	120,000	48,000	20-Mar-12	168,000

The market price on the date of the grant was 684p.

Capita Share Ownership Plan

Paddy Doyle and Gordon Hurst participated in the Capita Share Ownership Plan during 2009. As a result of their participation, they were awarded 22 and 3 Matching Shares respectively during the period to 31 December 2009. The Participant Shares and their Matching Shares are included in the table of Directors' interests in shares on page 83.

Capita Sharesave Scheme

The Directors' interests in the Capita Sharesave Scheme are listed below:

	Exercise price p	At 1 January 2009	Granted in the year	Exercised in the year	Market price at exercise £	At 31 December 2009	Exercisable between
Paddy Doyle ¹	733	1,289	–	–	–	1,289	01.11.2010 and 30.04.2011

¹ The exercise price quoted above was set at 100% of the market price at the date of grant.

There are no performance criteria to be satisfied under this scheme.

1997 Executive Share Option Scheme

The Directors' interests in the 1997 Executive Share Option Scheme are listed below:

	Exercise price p	At 1 January 2009	Granted in the year	Exercised in the year	Market price at exercise p	At 31 December 2009
Maggi Bell	436	79,467	–	75,000	702.4	4,467

Long Term Indexed Share Appreciation Scheme

The Executive Directors' interests in the LTISAS are listed below:

	Date of award	Price at date of grant p	Final exercise price p	At 1 January 2009	Exercised in the year	Market price at exercise £	At 31 December 2009	Exercisable between
Paul Pindar	25.11.2004	351	474	600,000	–	–	600,000	25.11.2007 to 25.11.2012

The grant price was calculated based on the average of the closing share price over the month prior to the date of grant. The exercise price of the options increased in line with the FTSE All Share Index, measured from the date of grant to 25 November 2007. The final exercise prices are set out above.

Details of the performance conditions attached to awards made under the LTISAS can be found on page 82.

The market value of an ordinary share of the Company at 31 December 2009 was 751p, and the high and low values for the year were 781.5p and 617.5p respectively.

Pensions

Pension contributions are made into the Group's defined contribution scheme. The Company makes contributions at a rate of 5% of basic salary.

Simon Pilling and Paddy Doyle made additional contributions, by way of salary sacrifice in the year, to a separate executive defined contribution scheme.

Changes in Directors' interests

Between the end of the financial year and 19 February 2010, Paddy Doyle and Gordon Hurst acquired 38 shares under the Capita Share Ownership Plan, increasing their beneficial interest in ordinary shares of the Company to 27,115 and 10,255 respectively.

The remuneration report has been approved by the Board and has been signed on behalf of the Board by:

Martin Bolland

Non-Executive Chairman
24 February 2010

Martina King

Chairperson of the Remuneration Committee
24 February 2010

The Directors' report from pages 1 to 84 was approved by the Board and has been signed on behalf of the Board by:

Gordon Hurst

Company Secretary
24 February 2010