

# Directors' remuneration report

As required by Section 420 of the Companies Act 2006, the Directors present the report on Directors' remuneration for the year ended 31 December 2008. In accordance with the requirements the report provides the disclosure in 2 parts: information that is not subject to audit and information that is subject to audit.

*The following information is not subject to audit.*

## Executive summary

This summary provides an overview of Directors' remuneration in 2008 and outlines the changes to the previous year.

The introduction of a new long term incentive plan (LTIP 2008) was approved at the last Annual General Meeting. Although long term incentives had been in place previously, there had been no grants to our Executive Directors since 2004. The performance of awards that will vest under this plan 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 2 points.

These are also subject to the share price performance. The option will lapse if the performance conditions are not met. See page 73 for details.

The grants made under this Long Term Incentive plan were:

Director	Number of options
Paul Pindar	165,000
Paddy Doyle	120,000
Simon Pilling	120,000
Gordon Hurst	120,000
Maggi Bell	30,000

Maggi Bell's award of 30,000 options under this plan was made prior to her promotion to the Board.

## Base salaries

Individual salary increases for 2008 were between 4% and 7% for Executive Directors in 2008 and varied by individual based on external benchmarking, changes in their role and consideration of awards made within the businesses.

Due to the current volatile economic climate the basic salaries of Executive Directors, Non-Executive Directors and senior management have been held at 2008 levels, apart from those in executive positions who have been promoted or changed their responsibilities.

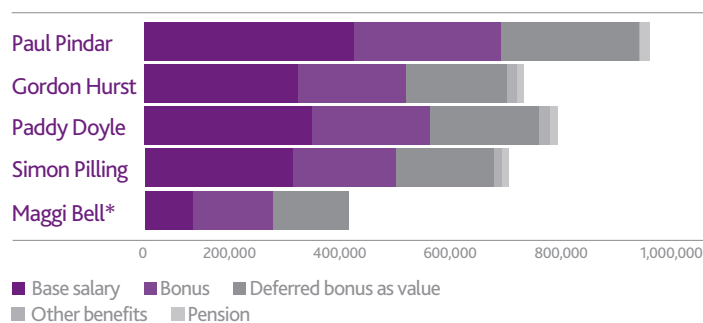
## Annual bonuses

In 2008 the bonus awarded to each Executive Director was 140% of base salary as full achievement of the stretch target was met. This was split between 70% of the award payable in cash and the remaining 70% compulsorily placed into the Deferred Annual Bonus plan. The Deferred Annual Bonus plan also included a matching award of up to 1.5 shares for each deferred share dependent on the requirement to meet performance criteria. The bonuses are only awarded on the achievement of a set target on the profit before tax. These targets are set by the Remuneration Committee and approved by the Board.

The overall package is weighted towards long term share based incentives which strongly links the interests of the Executive Directors with those of the shareholders in respect of shareholder value.

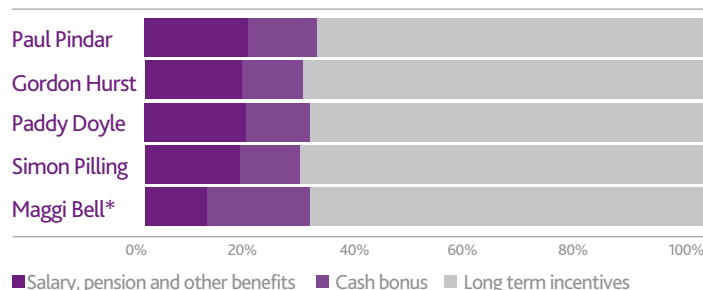
Maggi Bell was appointed during the year and her remuneration package was reviewed for the period beginning 1 January 2009 and this will be disclosed in the 2009 financial statements.

## Summary table of remuneration for 2008 for Executive Directors



Maggi Bell's salary is only for the period since appointment to the end of the financial year. This graph does not show the Matching Award or LTIP awarded in the year that will mature in 2011.

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



\*from date of appointment

## 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
– Is competitive in the current market and our business sector	– Reward upper quartile performance with upper quartile rewards	– Annual bonus
– Encourages and supports a high performance culture	– Balance between short and long term rewards with a balance on longer term rewards	– Deferred bonus
– Attracts, retains and motivates	– Competitive package of benefits	– Long term incentive plan
		– Share matching plan
		– Pension provision
		– Car allowance
		– Health care
		– All employee share plans

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 to pursue 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.

## Directors' remuneration report

### 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.

The Committee met 5 times and the attendance is shown below:

Name of Director	Number of meetings attended
Martina King	5
Eric Walters	4
Bill Grimsey	4
Martin Bolland (appointed 1 October 2008)	2
Peter Cawdron (retired 30 September 2008)	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. These were reviewed in November 2008 and amended terms of reference were recommended and approved by the Board. These are available at [www.capita.co.uk/investors](http://www.capita.co.uk/investors) or copies can be requested from the Company Secretary.

### Advisers to the Committee

During 2008 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 and also other adhoc tax projects and share plans.

### Combined Code

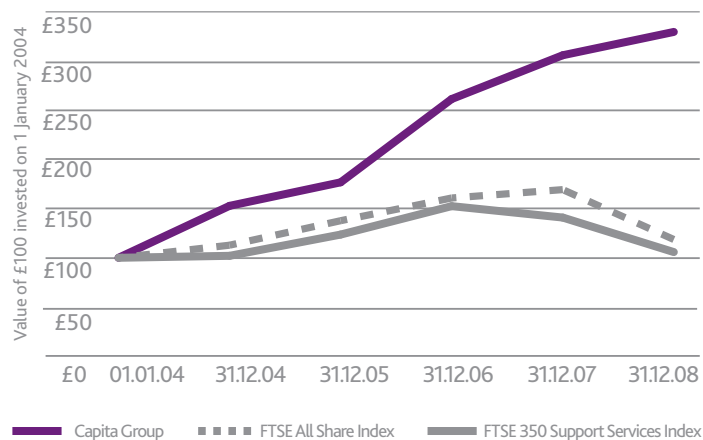
The Company has complied with the provisions set out in Section B of the Combined Code Principles of Good Governance and Code of Best Practice.

The Committee also reviewed the remuneration strategy and policies against the Financial Services Authority guidance, sent out in October 2008, and confirms that the Company's policies are in line with this guidance.

### 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 2004 and ending 31 December 2008 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 2004.



A £100 investment in Capita shares on 1 January 2004 would be worth £330 at 31 December 2008 compared to £119 for an investment in the FTSE All Share Index and £106 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.

Half of the annual bonus entitlement will be paid in cash and the remainder will be compulsorily deferred on a gross-basis into Capita Shares (Deferred Shares).

#### 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-Executives include consideration of all the responsibilities that they are asked to undertake. The Non-Executives have equal responsibilities and therefore receive equal pay.

Non-Executive Directors are paid an annual fee and in 2008 this was set at £42,500. They are not paid further amounts for specific duties and responsibilities, such as chairing a committee. Eric Walters is paid £105,000 per annum as Chairman of the Group.

#### 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

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

\*Peter Cawdron was appointed to the Board on 1 September 1997 and retired from the Board on 30 September 2008

## 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.

In March 2008, an aggregate of 142,985 Deferred Shares were awarded to Executive Directors (including Maggi Bell) at a price of £6.56, being the market price determined, as detailed on page 75.

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 214,476 Matching Shares were awarded to Executive Directors (including Maggi Bell) as detailed on page 75 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.

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.

### 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.

On 7 May 2008, an aggregate of 555,000 shares were awarded to the Executive Directors (including Maggi Bell), as detailed on page 75.

The vesting of awards made during 2008 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.

### 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.

### 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 £3.48 for the 2002 award and £4.74 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 shares 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 2008.

## Directors' remuneration report

The following information is subject to audit

### Directors' remuneration

The remuneration of the Directors, excluding gains made on the exercise of options, is made up as follows:

	Salary and fees £	Benefits £	Performance related bonus £	Total 2008 £	Total 2007 £	Gain on exercise of options 2008 £	Gain on exercise of options 2007 £	Pension 2008 £	Pension 2007 £
Eric Walters <sup>1</sup>	105,000	–	–	<b>105,000</b>	100,000	–	–	–	–
Paul Pindar	375,000	1,248	525,000	<b>901,248</b>	880,210	8,955,632	–	18,750	18,518
Gordon Hurst	257,000	17,148	385,000	<b>659,148</b>	605,079	38,495	4,151,912	46,270	53,703
Paddy Doyle	266,069	20,451	420,000	<b>706,520</b>	641,582	1,356,000	2,782,700	63,199	71,502
Simon Pilling	248,333	15,363	371,000	<b>634,696</b>	590,022	–	3,562,440	43,617	38,810
Maggi Bell <sup>2</sup>	85,417	6,410	287,000	<b>378,827</b>	–	–	–	–	–
Martin Bolland <sup>1 and 2</sup>	35,417	–	–	<b>35,417</b>	–	–	–	–	–
Martina King <sup>1</sup>	42,500	–	–	<b>42,500</b>	40,000	–	–	–	–
Bill Grimsey <sup>1</sup>	42,500	–	–	<b>42,500</b>	40,000	–	–	–	–
Peter Cawdron <sup>1</sup>	31,875	–	–	<b>31,875</b>	40,000	–	–	–	–

### Directors' interests

	31 December 2008 or date of appointment if later ordinary shares of 2 1/2p	31 December 2007 or date of appointment if later ordinary shares of 2 1/2p
Eric Walters <sup>1</sup>	<b>51,158</b>	50,230
Paul Pindar	<b>1,451,612</b>	1,451,612
Gordon Hurst	<b>10,181</b>	10,181
Paddy Doyle	<b>26,741</b>	26,497
Simon Pilling	<b>0</b>	0
Maggi Bell	<b>0</b>	0
Martin Bolland <sup>1 and 2</sup>	<b>12,500</b>	0
Martina King <sup>1</sup>	<b>0</b>	0
Bill Grimsey <sup>1</sup>	<b>12,209</b>	12,209
Peter Cawdron <sup>1</sup>	<b>–</b>	23,225

### Directors' remuneration

	2008 £000s	2007 £000s
Basic salaries	<b>1,227</b>	1,038
Compensation	<b>0</b>	0
Benefits	<b>61</b>	76
Annual Bonus	<b>1,988</b>	1,603
Pension contributions to the Group's defined contribution scheme	<b>–</b>	53
Pension contributions to external defined contribution pension schemes	<b>–</b>	130
Fees	<b>257</b>	220
<b>Total</b>	<b>3,533</b>	3,120

<sup>1</sup> Non-Executive Directors.

<sup>2</sup> Maggi Bell and Martin Bolland's information is at date of appointment to the Board to the end of the financial period.

The sum disclosed above represents the total value of the performance related bonus payable in respect of the year ended 31 December 2008. 50% will be paid in cash and the remainder will be settled through the issue of Deferred Shares as explained on page 73.

In addition, by way of salary sacrifice, the base salaries of Gordon Hurst, Paddy Doyle and Simon Pilling have been reduced by £18,000 (2007: £36,000), £33,931 (2007: £50,897) and £16,666 (2007: £20,000) respectively and paid into separate defined contribution schemes.

The benefits of Gordon Hurst, Paddy Doyle and Simon Pilling are in respect of private health 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 health 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 £50,000 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 73. The information on page 73 is unaudited. The value of the Deferred Shares is included in the Performance Related Bonus figure in the first table on page 74.

	At 1 January 2008 or date of appointment	Awarded in the year	Matching Shares awarded in the year	At 31 December 2008
Paul Pindar	213,782	37,881	56,821	<b>308,484</b>
Paddy Doyle	169,767	29,878	44,817	<b>244,462</b>
Gordon Hurst	153,697	27,743	41,614	<b>223,054</b>
Simon Pilling	123,217	26,676	40,014	<b>189,907</b>
Maggi Bell*	171,779			<b>171,779</b>

\*At date of appointment

The market price on the date of the award was £6.56.

### Long Term Incentive Plan (2008 LTIP)

	At 1 January 2008	Date of award	Awarded in the year	Vesting date	At 31 December 2008
Paul Pindar	–	07.05.08	165,000	07.05.11	<b>165,000</b>
Paddy Doyle	–	07.05.08	120,000	07.05.11	<b>120,000</b>
Gordon Hurst	–	07.05.08	120,000	07.05.11	<b>120,000</b>
Simon Pilling	–	07.05.08	120,000	07.05.11	<b>120,000</b>
Maggi Bell*	30,000*	07.05.08	–	07.05.11	<b>30,000</b>

\*At date of appointment.

Details regarding the 2008 LTIP can be found on page 73. The information on page 73 is unaudited.

The market price on the date of grant for this award was £6.83.

### Capita Share Ownership Plan

Paddy Doyle participated in the Capita Share Ownership Plan during 2008. As a result of his participation, he was awarded 22 Matching Shares during the period to 31 December 2008. The Participant Shares and Matching Shares are included in the table of Directors' interests in shares on page 74.

### Capita Sharesave Scheme

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

	Exercise price £	At 1 January 2008	Granted in year	Exercised in year	Market price at exercise £	At 31 December 2008	Exercisable between
Paddy Doyle <sup>1</sup>	7.33	1,289	0	0		1,289	01.11.10 to 30.04.11
Gordon Hurst <sup>2</sup>	1.88	8,430	0	8,430	£6.45	0	

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

<sup>2</sup> The exercise price quoted above was set at 80% 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 £	At 1 January 2008	Granted in year	Exercised in year	Market price at exercise £	At 31 December 2008	Exercisable between
Paul Pindar	4.49	200,000	0	200,000	6.80	0	
	4.36	100,000	0	100,000	6.80	0	
Maggi Bell*	4.36	75,000*	0	0		75,000	22.02.05 to 22.03.09

\*At date of appointment.

Details of the performance conditions attached to options granted under the 1997 Scheme can be found on page 73. The information on page 73 is unaudited.

No options under this scheme have been granted to Board Directors since 2002.

The market value of an ordinary share of the company at 31 December 2008 was 738p, and the high and low values for the year were 769.5p and 590.5p respectively.

## Directors' remuneration report

### Long Term Indexed Share Appreciation Scheme

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

	Date of award	Price at date of grant £	Final exercise price £	At 1 January 2008	Exercised in year	Market price at exercise £	At 31 December 2008	Exercisable between
Paul Pindar	25.11.2002	2.16	3.48	600,000	600,000	715	0	
	25.11.2004	3.51	4.74	600,000			600,000	25.11.2007 to 25.11.2012
Paddy Doyle	25.11.2004	3.51	4.74	600,000	600,000	7.00	0	

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 adjusted exercise prices are set out above.

Paddy Doyle exercised LTISAS options, as specified above, on 24 June 2008, selling all resulting shares. The closing market price on the day of exercise was 698p.

Details of the performance conditions attached to awards made under the LTISAS can be found on page 73. The information on page 73 is unaudited.

At 31 December 2008, the market price for a Capita share was 738p.

### Long Term Investment Plan

Awards under the LTIP were structured either as Restricted Share Awards or Indexed Performance Share Appreciation Rights (IPSARs). The last Restricted Share Awards and awards of IPSARs vested in full in May 2001 and 2003 respectively. No further awards were made under the LTIP. Only one award of IPSARs was made. The performance requirements in respect of the IPSARs were met in full on 4 May 2003 and the IPSARs are exercisable at a price of 169p per share.

#### IPSARs

	Number of shares 1 January 2008	Vesting date	Exercised in year	Market price at exercise	Number of shares at 31 December 2008
Paul Pindar	1,200,000	5.05.2003	1,200,000	6.805	0

### Pensions

Pension contributions are made into the Group's defined contribution scheme. The Company makes contributions at a rate of 5% of basic salary. Gordon Hurst, 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 25 February 2009, Paddy Doyle acquired 39 shares under the Capita Share Ownership Plan, increasing his beneficial interest in ordinary shares of the Company to 26,780.

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

**Eric Walters**  
Non-Executive Chairman  
25 February 2009

**Martina King**  
Chairperson of the Remuneration Committee  
25 February 2009

The Directors' report from pages 01-76 was approved by the Board and has been signed on behalf of the Board by:

**Gordon Hurst**  
Company Secretary  
25 February 2009