Directors' remuneration report

On behalf of the Board I am pleased to present the Remuneration Committee's annual report on Directors' remuneration for the year ended 30 November 2019.

Denise Collis
Chair of the Remuneration Committee
24 January 2020

Committee meetings attended (total of 4)

Denise Collis (Chair)	4
James Bilefield	4
Barrie Brien	4
Anne Fahy	4

Full biographies are available on pages 112 to 114.

Dear Shareholder
On behalf of the Board, I am pleased to present this Directors' remuneration report for the period ended 30 November 2019. As the 2020 AGM will be the third anniversary of shareholders approving our remuneration policy, we are required to seek shareholder approval by a binding vote for a new policy for the next three-year period. The new Directors' remuneration policy is set out on pages 132 to 137, together with a summary of the changes, compared to our existing policy, that we propose to make. The Annual report on remuneration (set out on pages 138 to 154) describes how the current policy was implemented in 2019 and how the new policy will be implemented in 2020. The Annual report on remuneration, together with this Statement, will be subject to a separate, advisory vote.

As a Remuneration Committee, we remain sensitive to the topic of executive pay for all stakeholders, including companies, employees and shareholders, and have ensured that our new remuneration policy reflects best practice and investor guidelines. There has been a thorough engagement process with our major investors both in July 2019 and, following feedback, in December 2019.

We welcomed the views and opinions of those investors who responded who, despite some variations in perspective, were supportive of the new policy. This reinforced our view that our pay policy reflects our business strategy, with remuneration payments that are strongly linked to performance. We have also commenced this year a rolling programme of engagement with employees around reward, which we intend to build upon during 2020. I have personally engaged with employees across a number of our offices in the UK and overseas, and we recently held a very interactive and productive session with a diverse group, drawn from across the business, to explain our corporate governance processes and how our pay policy cascades throughout the Company.

Summary of the new remuneration policy
The Committee has reviewed the market levels of the current remuneration arrangements, and considered alternative incentive models, and has concluded that the remuneration levels and the structure of the current remuneration policy should be unchanged, subject to careful consideration of the latest UK Corporate Governance Code requirements and investor guidance. Accordingly, there are a number of changes, including the structure and level of deferral applying to the annual bonus, and shareholding requirements. Full details of the changes are given in the Policy section.

The fixed elements of the remuneration packages are set so that they reflect the calibre and experience of the individuals and the complexity of their roles. The annual bonus measures are based on specific areas that require immediate focus, whereas our Long Term Incentive Plan ('LTIP') looks to drive sustainable improvements at a more macro level over the longer term. Culturally, the setting of both financial and broader non-financial measures serves to focus scheme participants on a more holistic view of business success and hence serves to drive performance on a broad, sustainable front.

We are aware that the landscape is evolving rapidly on executive pensions and we will keep this issue under review in future years in relation to the pension contributions for the CEO and CFO (currently 5% and 15% of salary respectively). As previously communicated to shareholders, the pension contribution for the CFO will be frozen at the current monetary value and we will shortly be conducting a Group-wide review of pension provision.

Remuneration payable for performance in 2019
Despite the continuing uncertain macro-economic and geopolitical conditions, the Group delivered a record performance in 2019, whilst also witnessing share price growth following the new CEO, the CFO and other members of the senior team engaging with investors at the Capital Markets Day in November 2019. In relation to the annual bonus, the Group delivered a performance that was in line with market expectations, despite sector downgrades. This was driven by strong growth in Continental Europe, USA, and Japan. Against the financial targets that were set for the annual bonus, there was strong PBT growth versus the prior year and solid operating profit conversion and cash conversion. Looking at the wider context, good progress was also made on many of our KPIs, including our strategic and personal objectives.

Reflecting this record performance, the annual bonus paid to the CEO and CFO was 55.7% and 55.2% of the maximum respectively.

The 2017 LTIP award was based on our performance over the three financial years to the end of 2019. For the third of the award based on the EPS performance condition, this required adjusted EPS growth to be between 25.0p and 32.0p. Adjusted EPS performance for 2019 was 33.2p, resulting in 100% vesting of the EPS part of the award. For the third of the award based on our Total Shareholder Return ('TSR') performance, our TSR was required to be between median and upper quartile performance against a peer group. Actual TSR was at the 61st percentile resulting in 55% pay-out of this part of the award. The final one third of the award was subject to a range of strategic measures relating to the customer and employee and relative net fees performance compared to our peers. The outturn in relation to the customer and employee targets was 53.3% of the maximum, reflecting improvement in revenue from new product lines and improvement in certain aspects of engagement. With regards to the net fees measure compared to our peers, most have a 31 December year end meaning that we cannot calculate the result yet. Consequently, vesting of this part of the award, if any, will be held back until the result is known. Overall the LTIP pay-out, on an interim basis excluding the net fees element, is 63.5% of the maximum.

The Committee has considered whether the formula-driven pay-outs under the incentive plans and resultant total remuneration for Directors is appropriate, looking at the broader context within which the performance has been delivered. In particular, the Committee has noted the following points:

- Profit performance represents a record achievement, with good year-on-year growth in a challenging market that has also seen recent sector downgrades.
- Sound progress has been made across a number of key strategic imperatives, including the development of the Centre of Excellence in Glasgow.
- This has been a year of significant internal change, with a new CEO and departures of the existing CEO and COO, as well as key changes in the wider senior management team. This has caused some inevitable disruption which has been well managed and has not deflected from delivering a strong performance for all stakeholders.

Taking the above into account the Committee is comfortable that there has been a robust link between remuneration and performance and that there was no need to use discretion to adjust the level of remuneration payable.

Full details of the annual bonus and LTIP measures, performance against them and resultant payments are set out in the Annual report on remuneration.

Policy implementation for 2019
The Committee has increased the salary for the CEO, who joined mid-year, by 1.9% (2.5% pro-rata for time in role last year) and awarded the CFO an increase of 2.5%, which is in line with the average increase for employees generally.

The mix of measures for the annual bonus scheme has been changed so that the financial element has increased from 65% to 80%, with shared strategic and personal objectives reduced to 10% each. This increased focus on financial performance is appropriate as we seek to maximise returns from the significant investments in our people and operations. Appropriate measures have been set for the shared strategic and personal elements, with commensurate stretching targets.

The LTIP will continue to be based on SThree's performance over three years and subject to a two-year holding period post-vesting. For 2020 the grant level will be unchanged at 150% of base salary. It is again proposed that the weighting of performance measures should be 50% EPS, 30% TSR and 20% strategic. The Committee has given careful consideration to the setting of targets for 2020, looking to balance the forward momentum from a record performance in 2019 with continuing uncertain macro-economic and geopolitical conditions, which are starting to manifest themselves in the results of some of our competitor peer group. For the annual bonus, the financial target ranges are set at a level which is above the prior year outturn and contain significant stretch. Similarly, for the 2020-2022 LTIP award, the EPS range requires significant growth from the strong 2019 outturn in order for awards to reach threshold, with a high level of stretch required in order to achieve full vesting. Furthermore, the Committee retains discretion to ensure that annual bonus payments and vested awards under the LTIP can be scaled back if the formula-driven outturn does not reflect the broader overall performance of the business. Full details of the annual bonus measures and the measures and targets for the 2020-2022 LTIP awards are set out in the Annual report on remuneration.

Chief Executive Officer succession and Chief Operations Officer stepping down
As announced on 28 February 2019, the Board was delighted to secure the appointment of Mark Dorman as Chief Executive Officer, who commenced employment on 18 March 2019. Mark's starting salary of £475,000 together with a pension contribution of 5% of salary was lower overall than the total salary and pension contribution (combined) of his predecessor, Gary Elden. The remainder of Mark's starting package also was fully in line with the remuneration policy and there were no buy-out arrangements relating to remuneration forfeited from his previous employer.

Gary Elden stepped down from the Board as CEO on 18 March 2019 and remained with the Company until 24 April 2019 to ensure a smooth handover to his successor. Gary's notice period commenced on 18 December 2018 when the Company announced that he was stepping down. After ceasing active employment he was placed on garden leave for the remainder of his contractual notice period and continued to be paid his base salary, benefits and pension equivalent monthly, in the absence of any outside earnings during the period.

The Committee determined that Gary is a 'good leaver' for the purpose of incentive plan awards. On this basis he received an annual bonus in respect of 2019, pro-rated for active service, as set out in the Directors' emoluments table. For outstanding 2017, 2018 and 2019 LTIP awards, the performance conditions attached to these awards will be measured over the original performance periods and the awards have been scaled back pro-rata for the proportion of the vesting period completed.

As announced on 1 July 2019, Justin Hughes stepped down from the Board as COO on that date. He was served a 12-months' notice by the Company and following a short handover period was placed on garden leave for the remainder of his contractual notice period. To date he has continued to be paid his base salary, benefits and pension equivalent monthly, in the absence of any outside earnings during the period.

The treatment of Justin's outstanding incentive plan awards are the same as for Gary Elden, except that the two-year post- vesting holding period will continue to be applied for Justin, reflecting our policy at his date of leaving.

Shareholder engagement, response to UK Corporate Governance Code changes and reporting requirements for Directors' pay
The Committee values the opinions of its shareholders and other stakeholders and took their views into account in designing the proposed remuneration policy for 2020-2022 and also in assessing current policy application.

We also gathered broader stakeholder input, as required by the UK Corporate Governance Code reforms announced by the Financial Reporting Council in July 2018. This included my appointment as the designated NED responsible for employee engagement, which is aimed at ensuring that the voice of our people is heard around the Board table. The Committee also took a number of other steps, announced last year, to comply with the new Code requirements

To ensure maximum transparency and accountability we have chosen to comply early with the new reporting regulations for Directors' pay, including publication of the ratio of our Chief Executive's pay to that of the workforce.

Chairman and NED fees
Following a review last year of the fee levels for the Chairman and NEDs, these remain unchanged for 2020.

Conclusion
The Committee appreciates the support received from shareholders to date on its executive remuneration and governance approach and looks forward to this continued support for the resolutions to approve the new policy and the Annual report on remuneration at the AGM in April 2020.

Denise Collis
Chair of the Remuneration Committee
24 January 2020

Remuneration at a glance

How have we performed?

Bonus – maximum potential 120% of base salary

Metric	Threshold	Maximum	Actual	Achievement %
PBT	£54.0m	£62.0m	£59.1m	48.9%
Operating conversion ratio	17.0%	18.0%	17.5%	58.3%
Cash conversion ratio	79.0%	91.0%	84.0%	38.8%
Average shared strategic achievement*				65.0%
Personal achievement*				CEO: 75.0%; CFO 70.0%
Total achievement				CEO: 55.7%; CFO 55.2%
Total bonus (% of maximum)				**CEO: 55.7%; CFO 55.2%**

* Full details set out in the report.

2017 LTIP Award – grant 150% of base salary

Metric	Threshold	Maximum	Actual	Achievement %
EPS (adjusted)	25p	32p	33.2p	100%
TSR	Median	Upper quartile	61st percentile	55%
Customer, Employee and relative Gross Profit targets	See detailed breakdown of targets on page 145			53.3%*
Total award (% of maximum)				63.5%

* This represents an interim assessment of performance.

Summary of total reward

	Reward component	CEO*	CFO
2019	**Base pay £'000**	**£335.5**	**£350.1**
	Total remuneration £'000	**£642.9**	**£1,013.4**
2018	Base pay £'000	£453.1	£341.6
	Total remuneration £'000	£1,064.0	£813.1

* 2019 CEO figures relate to Mark Dorman, who served for part of the year.

How we will apply the remuneration policy in 2020

Key reward component	Key features
Base salary and core benefits	CEO salary increased by 1.9% (2.5% pro-rata); CFO salary increased by 2.5%, in line with average increase for employees Pension contribution: 5% of salary for CEO and £51,237 for CFO
Annual bonus – 80% Group financial targets – 10% Strategic target – 10% Personal target	Maximum of 120% of salary, with one third of any bonus award paid in shares and held for two years
LTIP award – 50% EPS – 30% TSR – 20% Strategic targets (improving long-term operating margin)	Maximum award of shares worth 150% of annual salary, performance tested, vesting after three years with a further two-year holding period
Shareholding requirements	Requirement to build up and hold shares equivalent to 200% of salary whilst employed. Post service requirement to hold the lower of 200% of salary or actual shareholding for two years after cessation of employment

Remuneration policy report

Policy report
This section of the Directors' remuneration report sets out the Group's remuneration policy for Directors. This will be subject to shareholder approval at the AGM held in April 2020 and will apply for three years from that date.

The remuneration policy is designed to support the strategic business objectives of the Group so as to attract, retain and motivate Directors and senior managers of a high calibre, in order to deliver sustainable increases in long-term shareholder value.

Changes to the policy
The changes to the policy are as follows:

Pension:
- The policy for new recruits will be to align the percentage contribution to the percentage rate applying to the majority of the workforce at that time. This is currently 4% but will be subject to a Group-wide pension review which is shortly to commence.
- The CEO receives a pension contribution of 5% of salary (reduced from the previous incumbent contribution of 15% of salary) which will continue. Under the current policy the CFO receives a pension contribution of 15% of salary. Under the new policy his pension contribution will be capped at £51,237 (which is the cash equivalent value of 15% of salary, based on the 2019 salary).

Annual bonus:
- The current policy on bonus deferral requires any bonus paid in excess of 100% of salary to be deferred in shares, vesting equally after one and two years subject normally to continued employment. Under the new policy one third of any bonus earned will be required to be invested in shares. The shares will be beneficially owned by the executive at the outset but must be held for a minimum of two years. While the shares will not be subject to a risk of forfeiture if an individual were to leave, they must continue to be held and would be subject to robust malus and clawback provisions.
- The Committee will be able to apply discretion and adjust any formula driven outcome to reflect, for instance, broader performance factors (also applicable to the LTIP).

Shareholding requirement:
- Individuals will be required to retain shares at the lower of the 200% of salary shareholding requirement, or the actual shareholding on departure, for two years after their employment has ceased. Self-purchases of shares will be excluded from counting towards this post-employment requirement. There will be a robust process to maximise the enforceability of the post-cessation holding requirement.
- There will be no early vesting of LTIP or bonus share awards on cessation of employment, or early release of shares during the post-cessation holding period (other than in exceptional circumstance such as serious ill-health).

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
Executive Directors				
Base salary	Sufficient to attract, retain and motivate high calibre individuals.	Reviewed annually with any increases taking effect from 1 December.	Increases will normally be the equivalent to the average salary increase for employees, other than in exceptional circumstances.	Not applicable
Benefits	Market competitive benefits package.	Including car allowance, private medical insurance, permanent health insurance, life assurance and housing allowance (if relocated). Other benefits may be introduced to ensure benefits overall are competitive and appropriate for the circumstances.	Cost of insured benefits will vary in line with premiums. Other benefits will be at a level considered appropriate in the circumstances.	Not applicable

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
Pension	To provide a competitive pension provision.	Individuals may either participate in a pension plan into which the Group contributes or receive a salary supplement in lieu of pension.	A Group contribution to a pension scheme or cash in lieu, of 5% of salary for the CEO and a capped £51,237 for the CFO. For new joiners a pension contribution in line with the rate applied to the majority of the workforce (currently 4%).	Not applicable
Annual bonus	Incentivises high levels of personal and team performance, focused on the key business strategies and financial/ operational measures which will promote the long-term success of the business.	Deferral into shares for one third of any bonus earned, which must be held for two years. Dividends or dividend equivalent payments accrue on deferred shares, payable normally in shares. Bonus may be subject to clawback or malus being applied, if appropriate, in the event of financial misstatement, error, misconduct, reputational damage or corporate failure, which has led to an over-payment.	Maximum bonus payment is 120% of annual salary.	Achievement of agreed strategic and financial/ operational annual business targets, weighted in line with business priorities. A majority of the performance conditions will be based on financial metrics. Sliding scales are used for each metric wherever practicable with 20% payable for achieving threshold performance. Normally 50% of the maximum bonus is payable for target performance for any financial metric. Within the maximum limit, the Committee may adjust bonus outcomes, based on the application of the bonus formula set at the start of the relevant year, if for instance it considers the quantum to be inconsistent with the Group's overall performance during the year.

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
Long Term Incentive Plan	Incentivises and rewards Executives for the delivery of longer-term strategic objectives and to reward substantial relative and absolute increases in shareholder value.	LTIP awards may be granted each year in the form of a conditional award of shares or a nil cost option. LTIP awards normally vest after three years. Dividend equivalent payments accrue on vested LTIP awards, payable normally in shares. Vested LTIP awards must be held for a further two years before the shares may be sold (other than to pay tax). LTIP awards may be subject to clawback or malus being applied, if appropriate, in the event of financial misstatement, error, misconduct, reputational damage or corporate failure, which has led to an over-payment.	The maximum award is 150% of salary p.a. in normal circumstances but may be 175% of salary in exceptional circumstances.	Targets are reviewed annually ahead of each grant to ensure they are aligned to the business strategy and performance outlook. A majority of the performance conditions are based on Group financial performance and shareholder value-based outcomes. No more than 25% of an award may vest for the threshold level of performance. Within the maximum limit, the Committee may adjust vesting outcomes, if it considers the quantum to be inconsistent with the Group's overall performance during the performance period or for other factors, at its discretion.
All employee share plans	Support and encourage share ownership by employees at all levels.	HMRC approved SAYE and SIP participation is available to all UK employees, including Executive Directors, on similar terms.	In line with HMRC limits or lower limits specified by the Group from time to time.	Not applicable
Share ownership requirements	Alignment of Executive Directors' interests with those of investors.	Executive Directors are expected to build and maintain a shareholding equivalent in value to no less than 200% of base salary. Until this threshold is achieved Executive Directors are normally required to retain no less than 50% of the net of tax value from vested LTIP, deferred bonus or other share awards (after the expiry of any relevant holding period). After ceasing employment Executive Directors must normally retain a level of shareholding for two years equivalent to the lower of 200% of salary, and the level of shareholding on ceasing employment with the Group. Self-purchased shares are excluded from this requirement.	Not applicable	Not applicable

As part of this policy, any payments due under the terms of the previous policy are capable of being made.

Operation of incentive plans

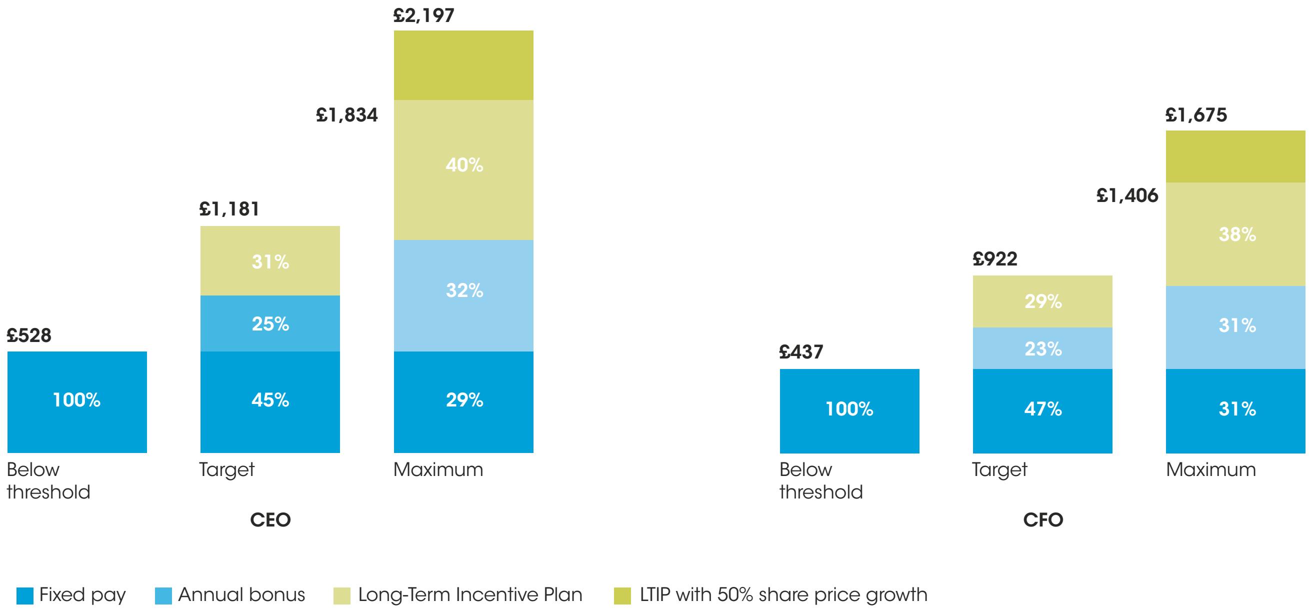
The Committee's policy is to review performance measures for the incentive schemes annually, so that they continually align with strategic objectives. The Committee considers that linking annual bonus and the vesting of LTIP awards to a combination of different measures, capturing share price, financial results and non-financial performance, will ensure that incentive plans provide a reward for rounded performance, while maintaining the alignment of Executive and shareholder interests.

The Committee may exercise discretion in assessing achievement against each stated target where it considers that it would be fair and reasonable to do so. The Committee may also exercise broader discretion in relation to the terms of all incentive plans, for instance (but not limited to) adjustments required for corporate restructuring and change of control.

In designing incentive structures and approving incentive payments, the Committee pays due consideration to risk management and environmental, social and governance ('ESG') issues.

Illustration of potential 2020 Executive Directors' remuneration

The charts below show the remuneration potentially payable to Executive Directors under different performance scenarios.



Note:

Assumptions for the charts above:

Fixed pay comprises base salary as at 1 December 2019, pension contribution of 5% salary for the CEO and £51,237 for the CFO, and the value of benefits received in 2019.

The on-target level of bonus is 50% of the maximum opportunity. The on-target level of the LTIP is taken to be 50% of the value of a single year's award.

The maximum level of bonus and LTIP is the maximum bonus and full vesting of the LTIP award. No share price appreciation has been assumed for deferred bonus or LTIP awards and the value of all-employee share plans has been excluded. The 'maximum' column includes an additional 50% value of the LTIP.

Role of the Committee in overseeing broader employee pay and differences in remuneration policy for Executive Directors compared to other employees
The Committee actively considers the pay structures across the wider group when setting policy for Executive Directors to ensure that a consistent approach to reward is adopted that is in line with our values. There is a particular focus in relation to any base salary review.

Overall, compared to most employees, the remuneration policy for Executive Directors is weighted more to long-term share-based incentives and stringent deferral and shareholding requirements. This is to ensure that the relatively higher pay levels are justifiable internally and externally to shareholders as a clear link between the long-term value created for shareholders and the remuneration received by Executives.

Consideration of employment conditions elsewhere in the Group
When setting the Executive Directors' remuneration policy, the Committee takes into account the pay and conditions of employees more generally and, at least once a year, is given full details of the remuneration policy across the Group, with any changes highlighted. As mentioned earlier, the Committee Chair also has responsibility to engage on employee pay.

During the year Denise Collis met with employees from across the organisation to explain how executive pay aligns to that of the workforce. Meetings were also held with regional management, employees and HR representatives as part of the Board's rolling programme of office visits.

Consideration of shareholders' views in determining the remuneration policy
The Committee actively consults with shareholders on executive remuneration policy changes. Feedback is taken on board and any proposals are adjusted, as appropriate, given the objective of ensuring that shareholders are supportive of the policy and its implementation. In addition, the Group follows shareholder sentiment on executive pay and takes it into account in considering the application of policy in the years between the development of a new policy. The last exercise was undertaken in July and December 2019, as outlined in the Chair's Statement and shareholder feedback was incorporated into the policy proposals.

Remuneration policy for recruitment and promotion
Base salary levels will be set in line with the policy taking account of individual circumstances.

Benefits and pension will be in line with the policy. Additionally, there is flexibility to make payments to cover relocation and other related expenses.

Annual bonus will be in line with the policy and there is flexibility to set different performance conditions measurable over a part-year, in the first year of appointment.

For internal promotions, outstanding incentive payments may vest on their original terms. For external recruits there may be a need to buy out unvested incentive entitlements at a previous employer. The Committee confirms that any such buy out arrangements would only be used if necessary, would take a similar form to that surrendered (e.g. cash or shares and timeframe), would take account of performance conditions and quantum, and would be no greater than that which the individual has forfeited on appointment.

Policy on Directors' service contracts and payments for loss of office
The Executive Directors have rolling service contracts subject to a maximum of 12-months' notice by the Group or Executive. At the Group's discretion, on termination a payment may be made in lieu of notice equivalent to 12-months' salary, which may be paid in monthly instalments and offset against future earnings. For new hires the policy is to provide a 12-month notice period.

Depending on the circumstances the Committee may consider payments in respect of statutory entitlements, outplacement support and legal fees. Mitigation would be applied to reduce any payments associated with loss of office.

'Good leavers' (e.g. redundancy or retirement) may generally retain any earned bonus (pro-rata If active employment ceases part way through the year) or share-based awards, with LTIP awards scaled back on a pro-rata basis for the portion of the vesting period elapsed on cessation of active employment, subject to still achieving any relevant performance criteria. Awards would vest at the normal time and any deferral or holding periods would continue to apply for the normal duration. Only in exceptional circumstances would awards vest or shares be released early, such as serious ill-health.

'Bad leavers' such as a resignation will lose any entitlement to participate in the bonus scheme and any outstanding deferred bonus or LTIP awards will normally lapse on cessation of employment.

External appointments
Executive Directors are encouraged to undertake one external appointment, where they are able to combine this with their existing role. This helps to broaden experience and capability, which can benefit the Group. Currently, no external appointments are held by any Executive Directors.

Terms of appointment and remuneration policy for Non-Executive Directors ('NEDs')
NEDs are appointed for an initial three-year term, subject to satisfactory performance and re-election at each AGM, with an expectation that they would serve for at least six years, to provide a mix of independence, balance and continuity of experience. In practice NEDs may be requested to serve up to nine years, subject to rigorous review.

The appointment may be terminated by either the Group or the NED giving a three-months' notice. Upon termination or resignation, NEDs are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment. The policy for the remuneration of NEDs is summarised below:

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
Fees	Attracts, retains and motivates high calibre NEDs to provide experience, capability and governance in the interest of shareholders.	Fees are determined by the Board as a whole and set by reference to those fees paid in similar companies, related to allocated responsibilities and subject to the aggregate Directors' fee limits contained in the Group's Articles of Association. Out of pocket expenses including travel may be reimbursed by the Group in accordance with the Group's expenses policy (and may settle any tax incurred in relation to these). NEDs are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment.	There is no maximum individual fee limit. The overall fee comprises a basic fee plus payment for additional responsibilities such as chairing Committees and for interim additional duties. NEDs do not participate in the Group's incentive schemes.	Obligation to perform satisfactorily and attend and contribute to meetings, assessed via Board effectiveness reviews.

Sourcing shares for share plans and Minority Interests (tracker shares)
Shares used to settle vested share awards or tracker shares may include new issue shares, treasury, Employee Benefit Trust 'EBT' shares or market purchased shares. The use of new issue or treasury shares is constrained by dilution limits which are reviewed by the Board annually. In order to comply with investor guidelines, the Board has agreed that the LTIP awards granted in 2015, 2016, 2017 and 2019, will be satisfied using market purchased shares via the EBT, if appropriate.

Annual report on remuneration

Section 1 – Total reward for 2019
1.1 Directors' remuneration for 2019
1.2 Annual bonus payable for 2019 performance
1.3 Shared strategic objectives 2019 performance
1.4 Personal objectives 2019 performance
1.5 LTIP awards vested by reference to performance over the three years to 2019

1.1 Directors' remuneration for 2019 (audited)

Director	Salary and fees £'000	Benefits[1] £'000	Annual bonus £'000	Long Term Incentive Plan[2] £'000	Pension £'000	Other	Total £'000
Gary Elden*	**151.0**	**8.0**	**96.4**	**449.5**	**22.7**		**727.6**
Mark Dorman*	**335.5**	**14.7**	**238.2**	_	**17.8**	**36.7[1]**	**642.9**
Alex Smith	**350.1**	**27.0**	**232.0**	**353.1**	**51.2**		**1,013.4**
Justin Hughes*	**149.7**	**9.8**	**93.8**	**272.0**	**21.9**	**47.9[1]**	**595.1**
Anne Fahy	**58.0**	**–**	**–**	**–**	**–**		**58.0**
Denise Collis	**70.5**	**–**	**–**	**–**	**–**		**70.5**
James Bilefield	**150.0**	**–**	**–**	**–**	**–**		**150.0**
Barrie Brien	**48.0**	**–**	**–**	**–**	**–**		**48.0**
Aggregate emoluments	**1,312.8**	**59.5**	**660.4**	**1,074.6**	**113.6**	**84.6**	**3,305.5**

2018 Director	Salary and fees £'000	Benefits[1] £'000	Annual bonus £'000	Long Term Incentive Plan[3] £'000	Pension £'000	Total £'000
Gary Elden	453.1	15.8	399.1	128.0	68.0	1,064.0
Alex Smith	341.6	20.3	303.0	97.0	51.2	813.1
Justin Hughes	292.1	15.1	259.1	55.0	43.8	665.1
Anne Fahy	52.0	–	–	–	–	52.0
Denise Collis	52.0	–	–	–	–	52.0
James Bilefield	104.4	–	–	–	–	104.4
Barrie Brien	45.0	–	–	–	–	45.0
Aggregate emoluments	1,397.4	51.2	961.2	280.0	163.0	2,852.8

* Pro-rated due to appointment or departure in year.

Notes:

1 Benefits comprise car allowance, medical cover and life/income protection insurance, as well as payments to cover housing or other related costs when transferred overseas. The pension contribution equates to 15% of salary historically. As agreed on his appointment, Mark Dorman is entitled to up to £60k in relocation/other costs in relation to his relocation from the US. In 2019, £37k was incurred, which related to rent, legal and school fees. Justin Hughes' relocation costs of £47.9k are in relation to his return to the UK.

2 2019 LTIP awards relate to those granted in early 2017 and vesting in early 2020, based on performance assessed over 2017 to 2019, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit value has been calculated using a share price of 341.0p, being the share price on 29 November 2019, the last dealing day of the year. As the market price at grant was 312.0p, some of the value has arisen from the share price increasing.

3 2018 LTIP awards relate to those granted in early 2016, vested in early 2019, based on performance assessed over 2016 to 2018, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit value has been calculated using a share price of 286.5p, being the share price on 30 November 2018, the last dealing day of the year. As the market price at grant was 297.0p, none of the value has arisen from the share price increasing.

1.2 Annual bonus payable for 2019 performance

Mark Dorman

Measures	Weighting	Below	Threshold	Target	Max	Threshold	Target	Max	Actual performance	Achievement %	Pay-out £'000
		Actual performance against target									
Group financial target											
PBT	29.25%					£54.0m	£59.3m	£62.0m	£59.1m	48.9%	£61.1
Operating conversion ratio	19.50%					17.0%	17.4%	18.0%	17.5%	58.3%	£48.6
Cash conversion ratio	16.25%					79.0%	87.0%	91.0%	84.0%	38.8%	£26.9
Shared strategic objectives											
See section 1.3	25.0%								16.3%	65.0%	£69.5
Personal objectives											
See section 1.4	10.0%								7.5%	75.0%	£32.1
	100.0%									55.7%	£238.2

Alex Smith

Measures	Weighting	Below	Threshold	Target	Max	Threshold	Target	Max	Actual performance	Achievement %	Pay-out £'000
		Actual performance against target									
Group financial target											
PBT	29.25%					£54.0m	£59.3m	£62.0m	£59.1m	48.9%	£60.1
Operating conversion ratio	19.50%					17.0%	17.4%	18.0%	17.5%	58.3%	£47.8
Cash conversion ratio	16.25%					79.0%	87.0%	91.0%	84.0%	38.8%	£26.5
Shared strategic objectives											
See section 1.3	25.0%								16.3%	65.0%	£68.3
Personal objectives											
See section 1.4	10.0%								7.0%	70.0%	£29.3
	100.0%									55.2%	£232.0

Gary Elden

Measures	Weighting	Actual performance against target									
		Below	Threshold	Target	Max	Threshold	Target	Max	Actual performance	Achievement %	Pay-out £'000
Group financial target											
PBT	29.25%					£54.0m	£59.3m	£62.0m	£59.1m	48.9%	£25.9
Operating conversion ratio	19.50%					17.0%	17.4%	18.0%	17.5%	58.3%	£20.6
Cash conversion ratio	16.25%					79.0%	87.0%	91.0%	84.0%	38.8%	£11.4
Shared strategic objectives											
See section 1.3	25.0%								16.3%	65.0%	£29.4
Personal objectives											
See section 1.4	10.0%								5.0%	50.0%	£9.1
	100.0%									53.2%	£96.4

Justin Hughes

Measures	Weighting	Actual performance against target									
		Below	Threshold	Target	Max	Threshold	Target	Max	Actual performance	Achievement %	Pay-out £'000
Group financial target											
PBT	29.25%					£54.0m	£59.3m	£62.0m	£59.1m	48.9%	£25.7
Operating conversion ratio	19.50%					17.0%	17.4%	18.0%	17.5%	58.3%	£20.4
Cash conversion ratio	16.25%					79.0%	87.0%	91.0%	84.0%	38.8%	£11.3
Shared strategic objectives											
See section 1.3	25.0%								16.3%	65.0%	£29.2
Personal objectives											
See section 1.4	10.0%								4.0%	40.0%	£7.2
	100.0%									52.2%	£93.8

1.3 Shared strategic objectives for 2019 performance

Strategic measure and targets	Assessment of performance by the Committee	Overall result in judgement of the Committee (as % of maximum opportunity)
Scalable global operating model for ECM		
Creation of a scalable, efficient and highly effective Employed Contractor Model ('ECM') solution across our principle geographies, delivering substantial improvements to our post-sales service to contractors.	Overall, the project has been delivered to, and in a number of instances has exceeded, plan. Payroll metrics achieved in full against Hackett benchmarking, with payroll accounting and baseline metrics making good progress towards best-in-class operations. Successful enhancements made to compliance and controls. Following the outcome from the strategy implementation review, one target has necessarily been postponed to 2020.	45%
Purpose and Operating Principles		
Embed our purpose and Operating Principles across the Group, covering both existing staff and new hires inducted into the organisation. Achievement to be qualitatively evaluated as well as by reference to employee net promoter score ('eNPS' score) targets: 1. Maintain the robust 2018 sales eNPS score of 34 2. Improve the support eNPS score from -3 to +2	Overall, the project has been successfully delivered with our purpose and Principles becoming embedded in the business and informing our ways of working and our interactions with stakeholders. Key achievements include the development of an agreed methodology and action plan roll-out (including all internal communications, leader briefings, new training materials and online workshops). Improvement in eNPS achieved as follows: – Sales 45.4 v 34 in 2018; and – Global Support +3 v -3 in 2018. More detail is provided on purpose and Operating Principles throughout the 2019 Annual Report.	75%

Strategic measure and targets	Assessment of performance by the Committee	Overall result in judgement of the Committee (as % of maximum opportunity)
Highgrove (CoE) stabilisation/get better phase		
Complete the stabilisation phase of the project, and finalise/roll-out plans for phases 2 and 3, delivering agreed KPIs: 1. Order-to-Bill Workflow – process mapped, pain points and issues documented and addressed, quick wins and tactical IT solutions implemented. 2. Cost savings of £5.5 million maintained. 3. Helpdesk – all tickets responded within 48 hours. 4. Working Capital – improvement of three debtor days year on year, reduction in overdue percentages by 5%-7.5% year on year, implemented standard terms and payment practices for AP trade and AP non-trade. 5. Implemented 90-day cash flow model.	1. Process mapped and quick wins implemented. Tactical IT solutions identified and introduced. Significant improvements to workflow. Audited IT control improvements. 2. Achieved. 3. Significant improvement with partial achievement of target. 4. Debtor days and overdue percentages at a Group level have remained consistent year on year, with critical vendor review conducted and short-term cash flow model now in place.	50%
Transition and transformation of the business		
This is an additional strategic objective, introduced following the appointment of the new CEO, and focused on: – the achievement of a smooth transition from the change of leader; – an intense focus on the delivery of business performance through a period of change and uncertainty; – the review and evolution of current strategy; – the commencement of the roll-out of an underpinning operating model and operational infrastructure.	– The transition to a new CEO has been smoothly achieved. – A record year in terms of profit and performance, in a market environment where three competitor organisations issued profit warnings. – A highly successful Capital Markets Day on the 21 November, as evidenced by the movement in the share price (290p – 20 November, 339p – 26 November, 379p – 31 December). – Re-modelling of the Senior Executive Team, including a new Chief People Officer and a new Chief Strategy and Development Officer.	90%
Total/average pay-out		65%

1.4 Personal objectives for 2019 performance

Personal targets – delivery against agreed objectives as follows:

Director	Personal objective	Assessment of performance by Committee	Overall result in judgement of the Committee (as % of maximum opportunity)
Mark Dorman	Group strategy Refine the Group strategy, develop a rigorous, multi-year operational implementation plan, and deliver against defined performance metrics and timelines for 2019.	– Clear ambition for the Group articulated, under-pinned by a 3 to 5-year strategic direction. Full Board endorsement at annual Strategy Day. – Business priorities simplified, coded and cascaded to the organisation. – Strategic programme of work developed to drive operational plans, resource allocation and capability requirements. – Significant knowledge transfer of strategic planning to the management team. – Successful first Capital Markets Day.	75%
	Senior Executive Team ('SET') Review the SET and SET-1 organisational structure, and implement changes to align with the strategy and operational implementation plan.	– New Senior Executive Team structure developed. – Critical capability gaps identified and new members of the Senior Executive Team recruited and inducted. – Full organisational capability and capacity review conducted covering the most senior 130 roles. – Two new organisational constructs created, 'Top 20' and the Extended Leadership Team ('ELT'), with improvements delivered in inclusion and decision making. – Improved ways of working introduced resulting in enhanced global collaboration.	
	People strategy Develop and commence implementation of a People Strategy Plan.	– People priorities identified and Plan endorsed by the Board. – Good progress made against agreed deliverables, including a new approach to employee engagement, introduction of a talent development framework, and development of a new reward and recognition strategy. – People team strengthened.	

Director	Personal objective	Assessment of performance by Committee	Overall result in judgement of the Committee (as % of maximum opportunity)
Alex Smith	Strategic planning Deliver an effective, rigorous and analysis-based strategic planning process for 2019 that demonstrates a step change improvement from 2018 and delivers quality outputs that shape both short-term and long-term business goals and objectives.	– Board endorsement of step change improvement in the Strategy planning process over prior year. – Positive feedback received on the adoption of a more inclusive approach. – Successful introduction and application of a 'managing for value' methodology to the evaluation of priorities. – Positive engagement with investors on the updated plan as part of the Capital Markets Day.	70%
	Investor relations Drive a more proactive investor relations strategy, effectively communicating the investment case, business model, and the strategy and governance framework. Reduce the main negative impacts of MiFID II and take advantage of new investor engagement opportunities.	– Significant improvement achieved in investor engagement pre- and post-trading updates. – Developed and delivered a clearer investment case for holders and non-holders. – Conducted a more effective outreach to analysts to encourage greater coverage post-MiFID II, resulting in both HSBC and Investec initiating coverage in 2019. – Improved design of the Capital Markets Day. – Effective support of new plc CEO on capital markets outreach. – Successful broker and advisor review with new brokers installed.	
Justin Hughes	Succession planning Define the senior succession pipeline and organisational structure for operations globally, with clear roles and responsibilities aligned to the strategic direction. Identify development gaps and progression opportunities across the Group.	– Partial development of a high level global operations plan delivered prior to date of leaving.	40%
	Global IT strategy Develop a clear, global IT strategy with supporting roll-out plan and initiation within 2019. Outputs to allow for a clear pathway into the development of 2020 objectives and deliverables.	– High level IT strategy document developed and delivered prior to date of leaving.	
Gary Elden	CEO transition Enable the induction of the new CEO and provide an effective handover. Actively facilitate the leadership transition through engagement with employees and other key stakeholders.	– Provided an effective handover to the new CEO, and supported the transition.	50%

1.5 LTIP awards vested by reference to performance over the three years to 2019 (audited)

Earnings Per Share ('EPS') for one third of the award:

EPS	Pay-out range	Actual performance	Vesting level	Vesting % of total LTIP award
Between 25.0p and 32.0p per share	30% – 100%	33.2p	100%	33.3%

Total Shareholder Return ('TSR') for one third of the award:

TSR – Rank of the Company compared to the peer group	Pay-out range	Actual performance	Vesting level	Vesting % of total LTIP award
TSR performance between the median and upper quartile	25% – 100%	61st percentile	55%	18.3%

Strategic objectives for one third of the award

Measure	Target	Performance	Vesting % of total LTIP award
Customer (one third)	Revenue generation between £10 million to £15 million from new product lines	£25.1 million	3.7% out of 3.7%
	Improvement of customer NPS (interview and post placement) of 6-10 points over two years[1]	3 point improvement in interview NPS	0% out of 3.7%
		19 point improvement In placement NPS	3.7% out of 3.7%
Employee (one third)	Staff engagement improvement 3-5 point improvement	13 point growth in sales function	2.2% out of 2.2%
		-1.4 point growth in support function	0% out of 2.2%
	Sales churn 37%-35%	39.5%	0 out of 2.2%
	Sales level 3-4 Diversity and Inclusion gender representation targets must improve:		
	Level 3 from 26% to 30% Level 4 from 15% to 20%	Level 3: 30.5% Level 4: 10.5%	2.2% out of 2.2% 0% out of 2.2%
Relative gross profit (one third)[2]	Percentage net fees growth over three years against the same peer group as used for TSR	To be assessed once results of gross profit performance measure are known with full disclosure in 2020 DRR	Estimated at 8.325% out of 11.1%
Total			20.2% out of 33.3%

1 Derived from a baseline of the first year NPS.

2 As the majority of our peers have a 31 December year end, the result is not yet known. Consequently, payment, if any, will be held back until the vesting result is known.

Number of shares granted vs vested vs lapsed based on assessment versus targets for LTIP award granted in 2017 (excluding remaining shared strategic objective)

Executive Director	Number of shares granted	Number of shares vested	Number of shares lapsed	Value of share based on grant price £	Value of shares attributable to share price growth £	Dividend equivalent additional shares	Total £'000[1]
Gary Elden	212,500	115,128	97,372[2]	359,199	33,888	16,700	449,534
Alex Smith, CFO	160,216	90,436	69,780	282,160	26,226	13,118	353,119
Justin Hughes	159,519	69,657	89,862	217,330	20,201	10,104	271,985

1 Based on share price of 341.0p on 29 November 2019.

2 Of this lapsed amount, 8,539 shares lapsed as Gary Elden ceased employment prior to the vesting date.

Section 2 – How we will apply our remuneration policy in 2020

2.1 Base salary
2.2 Benefits and pension
2.3 2020 annual bonus including financial, strategic and personal measures
2.4 Long Term Incentive Plan awards
2.5 Non-Executive Directors ('NEDs')
2.6 Payments to former Directors

2.1 Base salary
The table below illustrates the most recent base salary changes (effective for 2020). The average budgeted salary increase for employees generally is 2.5%.

Executive Director	Base salary 2019 £'000	Increase (from 1 Dec 2019) £'000	Base salary 2020 £'000
Mark Dorman, CEO	475.0	1.9%[1]	483.9
Alex Smith, CFO	350.1	2.5%	358.8

1 Pro-rated for time in role.

2.2 Benefits and pension
There are no changes to benefits. The CEO will receive a pension contribution of 5% of salary. The CFO will receive a capped pension contribution of £51,237. The majority of UK employees receive a pension contribution of 4% of salary.

2.3 2020 annual bonus, including financial, strategic and personal measures

The maximum annual bonus remains capped at 120% of base salary. One third of bonus is deferred in shares for two years. The bonus metrics and weightings for the 2020 annual bonus are summarised in the table below. Where they are considered to be commercially sensitive, the target ranges for each metric will be disclosed retrospectively in the following year's Directors' remuneration report.

Metric	Weighting	Measure	Sub-weighting	Link to strategy/notes
Group financial targets	80%			These are considered by the Committee to be the four most relevant financial KPIs for bonus purposes.
		– Adjusted operating profit	50%	Operating profit is the key underlying measure of profitability used within the business.
		– Free cash flow conversion ratio	20%	Free cash flow conversion ratio indicates how efficient the business is in terms of controlling costs and improving consultant productivity, turning profit into cash or collecting cash. As such, it is a key strategic measure.
		– Group revenue	5%	Revenue is a headline measure of income generation, used to assess the underlying financial performance delivered by management.
		– Net fees	5%	Revenue less cost of sales. A broad indicator of the trading.
Shared strategic objectives	10%	– Improvement to the customer net promoter score ('NPS')	5%	NPS has been used in SThree for several years and has become a key measure of the customer experience which includes candidate and client surveys introduced to capture regular feedback from customers about their experiences of working with SThree.
		– Improvement to the employee net promoter score ('eNPS')	5%	SThree have been monitoring employee engagement for several years and in 2017 introduced the current way of working focusing on eNPS as a means of evaluating our performance. This approach is now well embedded into the organisation. Our leadership team are committed to listening to all our people and will continue to use their feedback to inform our people strategy.
Personal objectives	10%		10%	Delivery versus agreed objectives to produce value or efficiency gains.
Total	100%		100%	

2.4 Long Term Incentive Plan awards

The LTIP awards to be granted in early 2020, will be granted over shares worth 150% of salary. Awards will vest on the third anniversary of grant, with a further two-year holding period on vested shares. Performance conditions will be based on EPS, TSR and strategic metrics, each applied independently and there will be a straight-line sliding scale between points. For comparison, LTIP targets are summarised in the following table, for awards made in 2018, 2019 and 2020:

LTIP weighting	EPS	TSR	Strategic
2018-2020	50%	30%	20%
2019-2021	50%	30%	20%
2020-2022	50%	30%	20%

LTIP targets	EPS	TSR	Strategic
2018-20	Between 30.0p (25% vesting) and 41.0p (100% vesting)	Between median (25% vesting) and UQ (100% vesting)	New product net fees between £11 million and £17 million/OP conversion between 17.3% and 21.1% (split equally)
2019-21	Between 35.5p (25% vesting) and 46.0p (100% vesting)	Between median (25% vesting) and UQ (100% vesting)	See notes under section 3.1
2020-22	Between 38.6p (25% vesting) and 46.9p (100% vesting)	Between median (25% vesting) and UQ (100% vesting)	Adjusted operating profit conversion ratio between 18.5% (25% vesting) & 22.0% (100% vesting)

Notes:

1 Composition of the TSR comparator groups and prior-year strategic targets for each LTIP award are shown under the table in section 3.1. For TSR the participant group approved for the 2019 grant has remained unchanged for subsequent grants.

Shareholding requirement

The minimum shareholding requirement is 200% of base salary and to the extent that there is any shortfall against this threshold, no less than 50% of any deferred bonus or vested LTIP award must be retained (after selling sufficient shares to pay tax).

2.5 Non-Executive Directors ('NEDs')

Following a detailed review and increase of fee levels in December 2018, NED base fees will remain the same for 2020:

Role	2019 annual fee £'000	2020 annual fee £'000
Chair	150	150
NED base fee (x 3 NEDs)	48	48
Committee Chair (Audit and Remuneration)	10	10
SID	7.5	7.5
Employee engagement NED	5	5
Total (Articles of Association limit is £500k per annum)	326.5	326.5

2.6 Payments to former Directors

Gary Elden

Gary Elden stepped down from the Board as CEO on 18 March 2019 and remained with the Company until 24 April 2019 to ensure a smooth handover to his successor. Gary's notice period commenced on 18 December 2018 when the Company announced that he was stepping down. After ceasing active employment he was placed on garden leave for the remainder of his contractual notice period and continued to be paid his base salary, benefits and pension equivalent monthly, in the absence of any outside earnings during the period.

The Committee determined that Gary is a 'good leaver' for the purpose of incentive plan awards. On this basis he received an annual bonus in respect of 2019, pro-rated for active service, as set out In the Directors' emoluments table. For outstanding 2017, 2018 and 2019 LTIP awards, the performance conditions attached to these awards will be measured over the original performance periods and awards have been scaled back pro-rata for the proportion of the vesting period completed.

Justin Hughes

As announced on 1 July 2019 Justin Hughes stepped down from the Board as COO on that date. He was served a 12-months' notice by the Company and following a short handover period was placed on garden leave for the remainder of his contractual notice period. During this period he continued to be paid his base salary, benefits and pension equivalent monthly, subject to these payments being offset against outside earnings during the period.

The treatment of Justin's outstanding incentive plan awards is the same as for Gary Elden, except for the two-year vesting period that will continue to be applied for Justin, reflecting our policy at his date of leaving.

The payments made for the remainder of the financial year from the time that Gary Elden and Justin Hughes stepped down from the Board comprise:

Director	Salary and fees £'000	Benefits £'000	Annual bonus £'000	Long Term Incentive Plan £'000	Pension £'000	Total £'000
Gary Elden	302.1	16.1	–	–	45.3	363.5
Justin Hughes	149.7	9.8	–	–	21.9	181.4

Section 3 – Directors' interests in shares and broader context for Directors' pay
3.1 Outstanding share awards held by Directors under LTIP, deferred bonus and SAYE
3.2 Statement of Directors' shareholdings
3.3 Total Shareholder Return ('TSR') performance of SThree over the last ten-year period
3.4 Historical levels of CEO remuneration and incentive plan pay-outs
3.5 Year-on-year percentage change in CEO remuneration compared to employees
3.6 Comparison of CEO remuneration to workforce remuneration by quartiles
3.7 Relative importance of spend on all employees' pay compared to dividend payments

3.1 Outstanding share awards

Awards outstanding (including those granted in the year), comprising LTIP, SAYE and deferred share awards (audited)

Executive Directors' awards outstanding under the LTIP are set out in the table below. Awards are currently structured as conditional awards of shares, with no exercise price. Earlier awards were granted either as nil-cost options, save for a notional £1 sum payable on vesting, exercisable between three and ten years from grant.

Executive Director	Dates of LTIP grant/ award	Market price at grant/ award	Shares originally awarded	Face value £	Shares vested (incl. rolled-up dividend shares)	Vesting date	Gain on exercise £	Remaining unexercised and unvested at 30 Nov 2019 (incl. rolled-up dividend shares)
Mark Dorman	30/01/2019	274.00	248,258	680,227	–	30/01/2022	–	248,258
Alex Smith	11/02/2010	299.40	117,935	353,097	160,570	10/02/2013	333,323.00	66,808
	01/02/2011	371.30	104,511	388,049	40,110	01/02/2014	Not exercised	38,165
	17/02/2015	324.00	146,631	475,084	67,725	17/02/2018	228,910.50	–
	27/01/2016	297.00	164,141	487,499	29,545	27/01/2019	92,328.30	–
	26/01/2017	312.00	160,216	499,874	–	26/01/2020	–	160,216
	02/02/2018	357.00	143,521	512,370	–	02/02/2021	–	143,521
	30/01/2019	274.00	191,672	525,181	–	30/01/2022	–	191,672
Deferred bonus	22/02/2016	295.00	12,131	35,786	6,331	22/02/2016	21,557.05	–
SAYE	20/09/2016	196.40	9,164	23,116	–	01/12/2019	–	9,164
Gary Elden	04/02/2014	364	165,535	602,547	93,371	04/02/2017	Not exercised	100,291
	17/02/2015	324	190,621	617,612	88,042	17/02/2018	Not exercised	90,527
	27/01/2016	297	217,677	646,501	44,684	27/01/2019	122,443.10	–
	26/01/2017	312	212,500	663,000	–	26/01/2020	–	212,500
	02/02/2018	357	190,366	679,607	–	02/02/2021	–	190,366
Deferred bonus	22/02/2016	295	15,770	46,522	8,230	22/02/2016	28,667.56	–
Justin Hughes	01/02/2011	371.3	45,005	167,104	13,557	01/02/2014	Not exercised	16,435
	08/02/2013	331.5	114,027	378,000	66,347	08/02/2016	Not exercised	74,373
	04/02/2014	364	106,961	389,338	40,222	04/02/2017	Not exercised	43,203
	17/02/2015	324	123,170	399,071	37,926	17/02/2018	131,792.85	–
	27/01/2016	297	140,404	417,000	19,212	27/01/2019	52,644.72	–
	26/01/2017	312	159,519	497,699	–	26/01/2020	–	159,519
	02/02/2018	357	122,742	438,189	–	02/02/2021	–	122,742
SAYE	20/09/2017	256.6	7,014	17,998	–	01/12/2020	–	7,014

Notes:

1 The TSR comparator group for the 2020 LTIP awards will be: Adecco, Amadeus Fire, Brunel, Empresaria, Groupe Crit, Hays, Impellam, Kelly Services, Kforce, Korn Ferry, ManPower, Gattaca, Page Group, On Assignment, Randstad, Robert Half, Robert Walters and Staffline. This was also the comparator group used for awards in 2019. For awards in 2018, the comparator group also included Harvey Nash. For awards made in 2017, the comparator group comprised mid/large cap global listed recruiters or other business services/benchmark comparator companies, having a high historical cyclicality correlation coefficient with SThree, being: Adecco, Amadeus Fire, Bovis Homes Group, Brunel International, Carillion, Dice Holdings, Electrocomponents, Exova Group, Galliford Try, Grafton Group UTS, Groupe Crit, Harvey Nash Group, Hays, Hogg Robinson Group, Impellam Group, Insperity, Kelly Services, Kforce, Korn Ferry International, Manpower Group, Matchtech Group, Page Group, Morgan Advanced Material, On Assignment, Premier Farnell, Ranstad Holding, Regus, Restaurant Group, Robert Half International, Robert Walters, Savills, Shaftesbury, Staffline Group, Sythomer, Telecity Group, Trueblue, USG People, Wetherspoon (JD).

2 For the 2017 LTIP award, strategic targets were split equally as below. Where sliding scales operate there is 25% vesting at the threshold for payment:
Customer:
Revenue generation of between £10 million and £15 million from new product lines by 2019.
Broad NPS metric showing improvement of 3 to 5 basis points p.a. in years 2-3 from a baseline derived from the first year actual NPS. This differs from the annual bonus NPS metric which is based on specific areas of the business that require focus.

Employee:
The employee metric will be split equally so that for one third, Staff Engagement growth must be 3 to 5 basis points p.a. over three years. For one third sales churn must be 37%-35% by 2019 (compared to 38% in 2016). For the final one third, Sales Level 3-4 Diversity & Inclusion gender representation targets must improve over the same period. Level 3 representation to increase from 26% to 30%–32% and Level 4 representation to increase from 15%–20%.

Relative net fees:
The relative net fees will be compared to the same group as used for the TSR metric with the same medium-to-upper quartile sliding scale. Net fees will be compared based on percentage net fees growth over a three-year performance period with adjustments made as necessary to ensure like-for-like comparison across the companies. Adding a relative net fees measure will provide a good balance to the non-financial strategic metrics, by focusing on growing our net fees at a faster rate than our competitors.

3 For the 2018 LTIP awards, the 20% of the award based on strategic targets is split between two targets equally: new product net fees between £11 million and £17 million/operating profit conversion ratio between 17.3% and 21.1%. Where sliding scales operate, 25% of the award will vest at threshold.

4 For the 2019 LTIP award, the 20% of the award based on strategic targets is split between two targets equally, set out as (i) and (ii) below. Where sliding scales operate, 25% of the award will vest at threshold:
(i) Improving the level of churn in the sales teams (10% of LTIP award)
Turnover of staff (churn) in members of the sales team with 12-24 months experience was 49% in 2018. The Board has identified churn reduction as a strategic priority.

This measure formed part of the 2018 annual bonus, resulting in a major underperformance against the threshold target, despite substantive management efforts. A detailed follow-up review has highlighted the full complexity of factors that cause churn within this particular group. These include the ongoing appropriateness of the traditional target demographic for entry level hiring, the evolving competencies required for success, and the vulnerability of SThree trained individuals to competitor approaches, particularly from those smaller businesses, with a lower cost base, who can offer substantially higher financial rewards. Addressing churn at this level will require a longer-term, multi-dimensional approach to retention incorporating recruitment, talent management, career progression, employee engagement and reward.

Improved retention of the SL1 12-24 month cohort will also directly impact retention across all levels of our salesforce, reflecting the marked difference in average length of service once the 24-month time horizon has been passed.

From a 2018 base line of 49% the target range, to be assessed in 2021, will be as follows:

	Level of sales team churn in 2021
Threshold (25% vesting)	42%
Maximum	40%

(ii) Improving our long-term operating profit conversion ratio (10% of LTIP award)
As part of the Capital Markets Day long-term strategy to grow our PBT by 2022, the Board has identified that improving our operating profit conversion ratio from the current level of 16.8% is a critical step to achieving this goal. We already have an element of the annual bonus given over to this measure to ensure near-term, tactical focus each year. In addition, and in order to encourage initiatives of a more strategic, longer-term nature, the Board feel that it is appropriate that this measure be additionally included in the LTIP.

	Level of operating profit conversion ratio in 2021
Threshold (25% vesting)	18%
Maximum	22%

5 For options which have vested but remain unexercised, dividends are accrued as additional shares, as shown in the final column above.

3.2 Statement of Directors' shareholdings (audited)

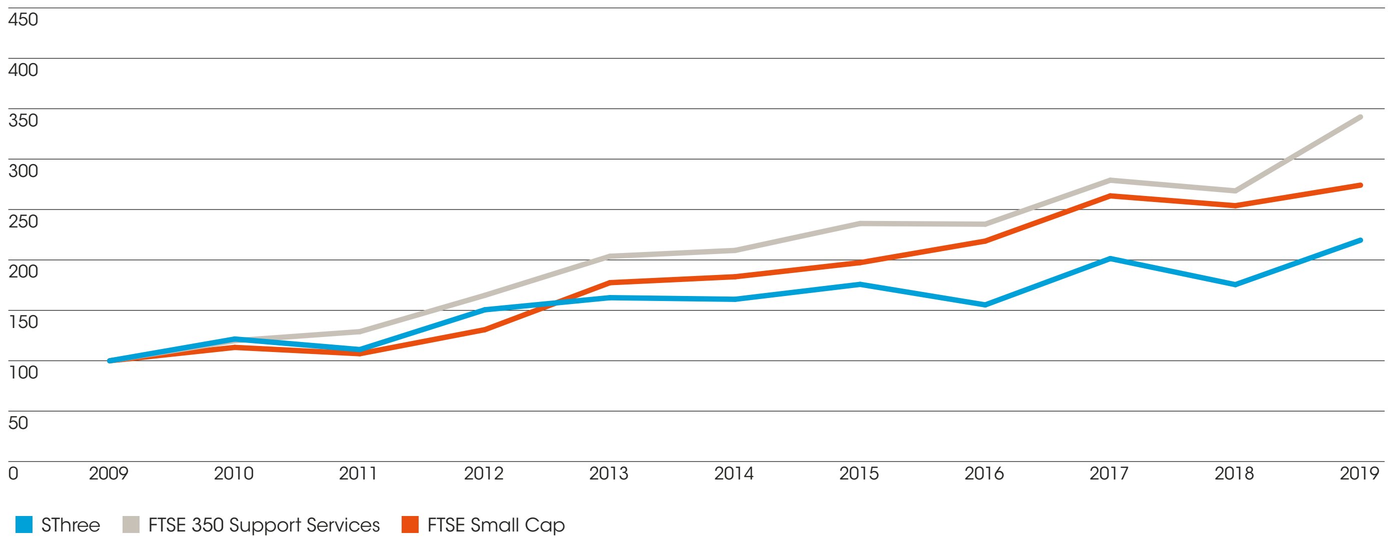
Under the remuneration policy Executive Directors must build and maintain a level of shares equivalent to at least 200% of base salary. Directors' interests in the ordinary share capital of the Company as at the year end, are shown in the table below, including any changes since the start of the year. There have been no changes since the year end and no Director had any other interest in the share capital of the Company or its subsidiaries, or exercised any option during the year, other than as disclosed.

Executive Director	Ordinary shares held at 1 December 2018	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 30 November 2019	Indirect interest	Shareholding requirement (% of salary)	Shareholding (% of 2019 salary)
Mark Dorman	–	4,150	–	4,150	248,258	200%	3.1%
Gary Elden*	2,176,675	24,517	–	2,201,192	593,684	–	–
Alex Smith	349,421	19,113	–	368,527	609,546	200%	476%
Justin Hughes*	197,688	14,976	–	212,664	423,286	–	–
James Bilefield	10,000	–	–	10,000	–	–	–
Anne Fahy	4,000	–	–	4,000	–	–	–
Denise Collis	5,000	–	–	5,000	–	–	–
Barrie Brien	–	–	–	–	–	–	–

* As at date of leaving.

3.3 Total Shareholder Return ('TSR') performance of SThree over the last ten-year period

The following graph shows the TSR of the Company, compared to the FTSE 350 Support Services and FTSE Small Cap indices. These are considered the most illustrative comparators for investors as the Company is or has been a constituent in the past.



3.4 Historical levels of CEO remuneration and incentive plan pay-outs

The table below shows historical levels of CEO total remuneration over a ten-year period, as well as annual bonus and LTIP vesting percentages over the same period. The Group has delivered a TSR of just over 100% over this ten-year period.

Year	CEO	CEO total remuneration £'000	Annual bonus (% of maximum)	LTIP awards vesting (% of maximum)
2019	Mark Dorman*	642.9	55.7%	–
2018	Gary Elden	1,064.0	73.4%	18.8%
2017	Gary Elden	1,228.9	76.2%	41.0%
2016	Gary Elden	1,058.5	56.4%	50.0%
2015	Gary Elden	1,284.9	92.8%	50.0%
2014	Gary Elden	852.2	54.6%	18.5%
2013	Gary Elden	752.8	44.3%	25.5%
2012	Russell Clements	1,295.0	77.4%	88.0%
2011	Russell Clements	1,264.9	56.0%	100.0%
2010	Russell Clements	1,284.2	94.4%	100.0%

* Mark Dorman was appointed during the year.

3.5 Year-on-year percentage change in CEO remuneration compared to employees

The table below shows the percentage increase for each element of remuneration between the current and previous financial periods for the CEO, compared with all Group employees.

	Percentage change 2018-2019	
Remuneration element	CEO	Average for all employees
Salary and fees	4.8%	6.3%
Other benefits[1]	(48.5%)	1.1%
Annual bonus	(20.4%)	(7.4%)

1 Includes salary supplement of 5% in lieu of pension. Relocation costs have been excluded.

3.6 Comparison of CEO remuneration to workforce remuneration by quartiles

The Committee has decided to use Option B in the relevant regulations to calculate the Chief Executive Officer pay ratio, using 2019 gender pay gap information to identify the three UK employees as the best equivalents of P25, P50 and P75, calculated based on full-time equivalent base pay data as at April 2019. This methodology was selected as the Committee believes this provides a more accurate and consistent calculation based on the information available at this time. The Committee will monitor investor guidance and evolving best practice which may move in favour of using Option A to calculate the ratios and will review its approach next year (restating any prior year figures, as appropriate).

The following table sets out the CEO pay ratio at the median, 25th and 75th percentile.

Financial year	Method	25th percentile pay ratio	Median	75th percentile pay ratio
2019	Option B	34.1	26.1	16.1
2018	Option B	39.1	24.1	20.1

Note:
The three employees in the table above are all full-time, pay data has been reviewed and the Committee is satisfied that it fairly reflects the relevant quartiles.

The three employees used for comparison are shown below:

	Employees Total remuneration (£)	% Change
Q 25 pay	24,495	(11%)
Q 50 pay	32,021	(29%)
Q 75 pay	50,653	(5%)

Change from the prior year shows a slight increase to the median pay ratio, while the ratio to the 25th and 75th paid employees has reduced.

3.7 Relative importance of spend on all employees' pay compared to dividend payments

The table below sets out the change to the total employee remuneration costs compared with the change in dividends for 2018 compared to 2017. All figures are taken from the relevant sections of the Annual Report.

Item	2019	2018	Change
Dividends	£18.8m	£18.0m	4.4%
Remuneration paid to employees (incl. Directors)	£214.3m	£206.7m	3.7%*

* The change reflects an additional investment in headcount year on year, with a % increase in total costs (i.e. salaries, commission and bonuses), in line with the year-on-year increase in net fees.

Section 4 – Governance
4.1 The Committee and its advisors
4.2 Statements of voting at most recent AGMs
4.3 Approval

4.1 The Committee and its advisors

The Committee's Terms of Reference (available at www.sthree.com) are reviewed periodically to align as closely as possible with the UK Corporate Governance Code ('Code') and CGI best practice guidelines. During the year, the Committee comprised only independent NEDs, being Denise Collis, Chair, James Bilefield, Barrie Brien and Anne Fahy. The Committee therefore meets Code requirements to comprise at least three independent NEDs.

The Chief Executive Officer, Chief Financial Officer and the most senior HR representative attend meetings by invitation, excluding matters related to their own remuneration. The Committee met four times during the year for routine business, in addition to unscheduled meetings for specific items and no member of the Committee has any personal financial interest (other than as a shareholder) in the matters decided.

The Committee appointed Korn Ferry as its independent remuneration advisor in 2016, following a comprehensive review. Fees paid to Korn Ferry for advice in relation to remuneration matters during the year were £64,971 (2018: £35,742), both excluding VAT. Korn Ferry are members of the Remuneration Consultants Group ('RCG') and comply with the RCG Code of Conduct. The Committee are satisfied that their advice was and is objective and independent.

4.2 Statements of voting at most recent AGMs

At the AGMs held on 24 April 2019 and 20 April 2017, the following votes were cast in relation to the advisory vote on the Annual report on remuneration and the binding vote on the remuneration policy respectively.

Resolution	For	%	Against	%	Withheld
Directors' remuneration report (2019 AGM)	97,348,697	99.84	96,650	0.1	2,962,273
Directors' remuneration policy (2017 AGM)	89,014,652	95.40	4,288,168	4.60	106

* Votes withheld are not counted in the % shown above.

4.3 Approval

This report was approved by the Board of Directors on the date shown below and signed on its behalf by:

Denise Collis
Chair of the Remuneration Committee
24 January 2020