CHAIR'S GOVERNANCE STATEMENT

"We continue to shape and develop our culture with a focus on diversity and inclusion, and have continued oversight of the Group's diversity and inclusion initiatives."

James Bilefield
Chair

Dear Shareholder

The unprecedented events we have witnessed this year, including a global pandemic and widespread BLM protests, have heightened the importance of ensuring that all of our stakeholder interests remain at the centre of the Board's deliberations, in line with our Group purpose and Section 172 of the Companies Act.

It is my responsibility as Chair to ensure that the Group has sound corporate governance and that the Board continues to be effective. This is managed by ensuring that the Group and the Board are acting in the best interests of shareholders and our various stakeholders and making sure that the Board discharges its responsibilities appropriately. This includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

I am therefore pleased to introduce our Governance report for the year ended 30 November 2020. The SThree Board aspires to adopt FTSE 250-level governance best practice wherever possible and therefore decided to early adopt the changes to the UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in July 2018 (the 'Code'), even though the changes were not applicable last year. A copy of the 2018 Code is available from the Financial Reporting Council's website at frc.org.uk

During the year, key governance and oversight activities included:

- Adapted the Board and Committees to the new ways of working in order to remain effective whilst strengthening the governance, financial and other controls needed in the face of unusual uncertainty due to COVID-19.
- Reinvigorated our global approach to Diversity and Inclusion ('D&I'), creating a new Global Diversity, Inclusion & Engagement Business Partner role and launching global engagement and D&I programmes, underpinning our succession and wellbeing plans.
- Built on a review of wider leadership roles, succession and 'capability gaps', including the layer below the leadership team, which led to the recruitment of the Chief Operations Officer ('COO') and other key supporting roles, whilst promoting our regional senior MDs following the departure of our Chief Sales Officer ('CSO').
- Reviewed and supported a refreshed and focused strategy and held regular reviews of the transformation agenda.
- Ensured remuneration arrangements generally and appropriately support retention and motivation of senior team members and the wider employee base.
- Implemented our new remuneration policy, approved by shareholders at the 2020 AGM.
- Continued to use eNPS as well as dedicated Non-Executive Director ('NED') involvement in employee engagement throughout the pandemic.
- Made progress on our commitment to reduce our absolute carbon emissions by 20% by 2024, as well as further strengthening our societal workstreams under our ESG strategy.

SThree has always been driven by core business principles, led by a desire to add value as a recruitment partner and play a positive role in corporate social responsibility. Our purpose, values and culture demonstrate a commitment to take long-term decisions and to treat all clients, candidates, employees, suppliers and communities with respect as key stakeholders and partners in our business. Our approach to stakeholder engagement during the year is set out in this report.

We held our annual Board strategy session in July 2020, at which the Board engaged around development of the strategy as we look to build further growth in key regions, with STEM recruitment and flexible working at our core, whilst also accelerating our key strategic programmes.

With the pandemic impacting the decision not to pay dividends during 2020, we also took the opportunity to review our broader cash collection and preservation measures.

Following on from addressing the key themes highlighted by our Board evaluation last year, the Board has conducted another internal evaluation covering topics such as Board composition, our understanding of our stakeholders, strategy, culture and risk management. Further details are provided in the Nomination Committee report.

We continue to shape and develop our culture with a renewed focus on diversity and inclusion and have continued oversight of the Group's initiatives in this important area. Further information on diversity and gender pay can be found in the Strategy in Action section.

Finally, I would like to take this opportunity to thank all of our stakeholders for their support during this exceptional year. I, along with the Board, am available to respond to any questions on this report or any of our activities both now and at the 2021 Annual General Meeting.

James Bilefield
Chair

BOARD AT A GLANCE

Board of Directors

- Responsible for the overall management of the business
- Sets strategy, key policies and agrees operational framework
- Ensures resources are in place to meet strategic objectives
- Monitors and reviews material/strategic issues, financial performance and risk management

Audit Committee

Ensures the integrity of the Consolidated Financial Statements of the Group and maintenance of internal control and risk management systems.

Manages the relationship with the Group's external auditors and reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process.

CEO

Senior Leadership Team ('SLT')

Assists the Chief Executive Officer in development and implementation of strategy, operational plans, policies, procedures and budgets.

Remuneration Committee

Responsible for the Group's remuneration strategy and the development/oversight of the Company's remuneration policy.

Leads discussions on Group employee remuneration and incentive arrangements that apply to the Group as a whole.

CFO

Risk & Compliance Committee ('R&CC')

Assists the Group with its compliance and risk management priorities whilst also reviewing the Group's internal controls, policies and health and safety procedures.

Nomination Committee

Regularly reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and layer below.

Provides recommendations with regard to any changes and reviews and prepares relevant job descriptions for new appointees, as well as ensuring the continuing development of an adequate pipeline into the Executive Team for succession and bench strength purposes.

CEO

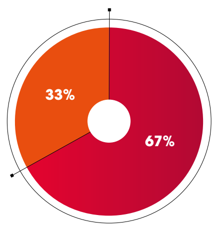
ESG (formerly CSR) Committee

Assists with setting guidance, direction and overseeing policies and progress on ESG and related activities.

Board Composition

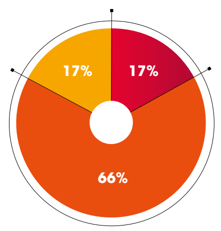
Board diversity

- Male
- Female



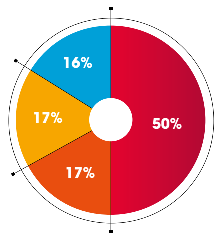
Board tenure

- 0-3 Years
- 3-5 Years
- 5+ Years



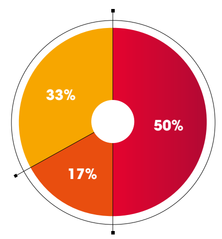
Board experience

- HR/Finance
- Engineering and Technology
- Media and Marketing
- Sales/Operations



Board composition

- Non-Executive
- Chair
- Executive



Skills matrix

	James Bilefield	Anne Fahy	Denise Collis	Barrie Brien	Mark Dorman	Alex Smith
Independence		✓	✓	✓		
Skill areas						
Sales					✓	
Finance		✓		✓		✓
People			✓			
Strategy	✓	✓	✓	✓	✓	✓
Transformation		✓	✓			
Data	✓			✓		
Marketing				✓	✓	
Technology & Digital	✓				✓	
Governance	✓	✓	✓	✓		✓

Board – roles and responsibilities

Chair

Responsible for:
- The leadership, effectiveness and governance of the Board
- Leading the setting of the Board agenda
- Ensuring the Board receive accurate, timely and clear information
- Ensuring effective Board contribution

CEO/CFO

Responsible for:

CEO:
- Developing and proposing the strategy of the Group
- Operational and financial performance of the Group
- Operational risk management
- Effective and ongoing communication with our key stakeholders
- Communicating the culture, values and behaviours of the Group

CFO:
- The financial aspects of the above

Senior Independent Director ('SID')

Responsible for:
- Supporting the Chair
- Acting as an intermediary for other Non-Executive Directors
- Leading the appraisal of the Chair's performance
- Acting as an alternative point of contact for key stakeholders

Non-Executive Directors ('NEDs')

Responsible for:
- The Group's strategy being reviewed, monitored and examined
- Monitoring operational and financial performance
- Assessing the governance, internal controls and risk management framework
- Providing independent advice

Company Secretary

Responsible for:
- Advising the Board on governance matters
- Supporting the Board and Committees in the efficient and effective functioning of meetings
- Ensuring information flow between Board/risk committees and senior individuals/NEDs
- Facilitating Board induction programmes and organising training as required

BOARD OF DIRECTORS

Executive Directors

Non-Executive Directors

A N R ○
Committee membership
A. Audit Committee
N. Nomination Committee
R. Remuneration Committee
○ Chair

Mark Dorman

Chief Executive Officer
Appointed: March 2019

Experience
Mark Dorman was appointed SThree CEO in March 2019, joining the business from McGraw Hill Education, where he was President of Higher Education, International and Professional. Prior to McGraw Hill, Mark worked at Wolters Kluwer where he was initially Vice President of their Legal Markets Group before becoming CEO of Wolters Kluwer Law & Business. Prior to this, Mark was Head of Global Product Management at Gartner Inc. and Head of Strategy for LexisNexis UK, a unit of Reed Elsevier. A joint UK/US national originally from Dundee, Scotland, Mark graduated from the Royal Military Academy Sandhurst and served as an officer in the British Army's Corps of the Royal Military Police.

Alex Smith

Chief Financial Officer
Appointed: May 2008

Experience
Alex Smith joined SThree having held a number of senior financial and operational roles in the leisure and retail sectors. He previously held the position of Integration Finance Director at TUI Travel plc and was Finance Director of First Choice's UK mainstream business. Prior to these positions he was Managing Director of WH Smith's Travel Retail business and held senior financial roles at Travelodge and Forte plc. Alex has a degree in Economics from Durham University and is an Associate of the Institute of Chartered Accountants in England & Wales.

James Bilefield

A N R

Chair
Appointed: October 2017

Experience
James Bilefield succeeded Clay Brendish as Chair in April 2018, having previously been Chair Designate and Senior Independent Director, from first joining the SThree Board as Non-Executive Director and member of the Remuneration, Audit and Nomination Committees on 1 October 2017. He joined the Board of Stagecoach Group plc on 1 February 2016, where he currently serves on the Remuneration and Nomination Committees. James is also Non-Executive Director of Moneysupermarket.com Group PLC, where he also is a member of their Audit, Nomination, Risk and Remuneration Committees. Other appointments include McKinsey & Company (Senior Advisor), Advent International (Industry Advisor) and Teach First (Trustee). James has spent over 20 years building successful digital and multichannel businesses around the world. As an executive he managed the digital transformation of media group, Condé Nast, across 27 countries, scaled Skype's global operations as part of its founding management team and held senior management roles at Yahoo! during its major growth phase. Formerly Chief Executive Officer of global advertising technology company, OpenX, he also co-founded the UK local information business, UpMyStreet, following an investment banking career at JP Morgan Chase.

Denise Collis

A N R

Non-Executive Director,
Senior Independent Director
Appointed: July 2016

Experience
Denise Collis was appointed to the SThree Board, Nomination Committee and Remuneration Committee in July 2016, and the Audit Committee in April 2018. Denise was further appointed as Chair of the Remuneration Committee in September 2016 and Senior Independent Director ('SID') in October 2018. Denise is a Non-Executive Director and Chair of the Remuneration Committee at Connect Group plc, the specialist distribution company, and Chair of the Remuneration Committee and a member of the Advisory Council at the British Heart Foundation. Prior to this, Denise was Group HR Director for 3i Group plc, and most recently Chief People Officer for Bupa. She has extensive international Human Resources and executive committee experience, and has also held senior roles at EY, Standard Chartered plc and HSBC. Denise is a Fellow of the Chartered Institute of Personnel and Development. She was appointed as SThree's Employee Engagement NED on 1 December 2018.

Anne Fahy

A N R

Non-Executive Director
Appointed: October 2015

Experience
Anne Fahy was appointed to the SThree Board, the Nomination Committee and as Chair of the Audit Committee in October 2015, and the Remuneration Committee in April 2018. Anne is also Non-Executive Director and Chair of the Audit Committee at Coats plc, the world's leading industrial thread company, and at Nyrstar NV, a company incorporated in Belgium which has, following completion of its recapitalisation/restructuring in 2019, a 2% shareholding in the Nyrstar group. Anne is also a Trustee of Save the Children. Prior to joining SThree, Anne was Chief Financial Officer of BP's Aviation Fuels business. During her 27 years at BP, Anne gained extensive experience of global business, developing markets, risk management, internal control, compliance and strategy development in BP's aviation, petrochemicals, trading and retail sectors. Anne is a Fellow of the Institute of Chartered Accountants in Ireland, having worked at KPMG in Ireland and Australia prior to joining BP in 1988.

Barrie Brien

A N R

Non-Executive Director
Appointed: September 2017

Experience
Barrie Brien was appointed to the SThree Board, Audit, Nomination and Remuneration Committees in September 2017. Barrie is Group Chief Executive Officer of STRAT7, a data analytics and strategy consultancy, and was the former Chief Executive Officer of Creston plc (a media and marketing communications group), stepping down in 2017 following its sale and de-listing. Barrie was extensively involved in the growth of Creston plc from 2004 with its buy-and-build strategy and had also been Chief Operating and Financial Officer. In addition to the extensive public company experience, including M&A, fundraisings and investor relations, Barrie has spent 30 years in global media, digital and marketing communication companies, advising a portfolio of boards and clients across multiple industries on their growth strategies.

Steve Hornbuckle

Group Company Secretary
Appointed: October 2006

Experience
Steve Hornbuckle joined SThree as Group Company Secretary in October 2006, creating a new department with responsibility for company secretarial and corporate governance matters, later broadening to include Investor Relations matters. Steve also headed the Group's Legal department from 2013 to 2019. Steve has significant company secretarial experience, having held senior positions within a variety of listed companies, including Intertek Group plc, BPB plc, Kidde plc, Railtrack Group plc, London & Manchester Group plc and English China Clays plc. Steve is a Fellow of the CGI and sits on its Company Secretaries' Forum and was formerly on the Investor Relations Society Policy Committee.

OUR BOARD

Board and Committee composition and attendance

As illustrated, the Board has established various Committees, each with clearly defined Terms of Reference, procedures and powers. All Terms of Reference (available at www.sthree.com) are reviewed regularly and are aligned closely with the UK Corporate Governance Code and take into account CGI best practice guidelines.

In addition to the scheduled Board meetings held during the year, the Board met for separate strategy, budget and risk sessions, as well as for the AGM. The number of scheduled Board/Committee meetings held and attendance at each is set out in the table below. The Board also met bi-weekly during the initial stages of COVID-19.

Should Directors be unable to attend meetings due to unavoidable commitments, full Board packs are distributed and separate dialogue held with the Chair on all matters of relevance. Further details of each of the Board Committees are contained in the Remuneration, Audit and Nomination Committee sections of this Annual Report.

Director	Board meetings attended	Total
Mark Dorman		8
Alex Smith		8
James Bilefield		8
Denise Collis		8
Anne Fahy		8
Barrie Brien		8

Composition of the Board

The Board comprises a balance of Executive Directors and NEDs who bring a wide range of skills, experience and knowledge to its deliberations. The NEDs fulfil a vital role in corporate accountability and have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully discussed and critically examined, not only in the best long-term interests of shareholders, but to also take account of the interests of customers, employees and other stakeholders. The NEDs are all experienced and influential individuals and through their mix of skills and business experience, they contribute significantly to the effective functioning of the Board and its Committees. This ensures that matters are fully debated and that no one individual or small group dominates the decision-making process. Directors have a wide range of experience of various industry sectors relevant to the Group's business and each member brings independent judgement to bear in the interests of the Company on issues of strategy, performance, resources and standards of conduct. The Board is of sufficient size to match business needs and members have an appropriate and varied range of skills, vital to the success of the Group. The composition and performance of the Board and each Committee is periodically evaluated to ensure the appropriate balance of skills, expected time commitment, knowledge and experience and the Directors can thereby ensure that the balance reflects the changing needs of the Group's business and is refreshed if necessary. Most importantly of all, Board members feel a strong cultural affinity with the Group, engaging fully as a committed team and in a wide variety of activities with our employees around the globe, whether it be an office visit, or presentation by management. The Nomination Committee report gives further information on activity in this regard, including changes in Board composition, succession planning and diversity and inclusion activity.

Excluding the Chair, the other NEDs have been determined by the Board throughout the year as being independent in character and judgement with no relationships or circumstances which are likely to affect, or could appear to affect, each Director's judgement.

The Board has a Non-Executive Chair, who is not classed as independent because of his position but who met the independence criteria set out in the Code on appointment. At least half the Board comprise of NEDs determined by the Board to be independent, as set out in the Code.

The role of the Board

The Board provides strategic and entrepreneurial leadership and overall control of the Group, setting a framework of prudent and effective controls to enable risks to be properly assessed and managed. Its primary role is to create value for stakeholders, to agree and approve the Group's long-term strategic objectives and to develop robust corporate governance and risk management practices, whilst ensuring that the necessary financial and other resources are in place to enable those objectives to be met. In undertaking this, the Board also reviews management performance and sets the Company's culture, values and standards, with all Directors acting in what they consider the best interests of the Company, consistent with their statutory duties.

Certain powers are delegated to the Remuneration Committee, Audit Committee and Nomination Committee, with details of the roles and responsibilities of these Committees being set out under the relevant sections.

Division of responsibilities

The Board has agreed Terms of Reference for its other formal Committees in order to facilitate more efficient working practices and these include an Executive-led Senior Leadership Team ('SLT'), the Investment Committee, a Minority Interest 'Tracker Shares' Steering Committee, a Routine Business Committee, Risk & Compliance Committee, and an ESG Committee, all of which provide a clear framework of delegated authorities. Key Terms of Reference (available at www.sthree.com) are reviewed periodically and Board Committees are aligned, as appropriate, with the UK Corporate Governance Code and take into account CGI best practice guidelines.

The Board is responsible to shareholders for the proper management of the Group and has identified key financial and operational areas that require regular reporting and which enable the performance of senior management to be reviewed and monitored. These are set out in a schedule of matters reserved for the Board, which is reviewed on a regular basis.

The schedule outlines all matters requiring specific consent of the Board, which include, inter alia, the approval of Group strategy, operating plans and annual budget, the Annual Report, the Interim Report and trading updates, major divestments and capital expenditure, meaningful acquisitions and disposals, the recommendation of dividends and the approval of treasury, tax and risk management policies.

The schedule therefore facilitates structured delegation, subject to certain financial limits and provides a practical framework for executive management/reporting, which seeks to achieve the objectives of maintaining effective financial and operational controls, whilst allowing appropriate flexibility to manage the business. The current schedule of matters reserved for the Board is available on the Company's website at www.sthree.com.

Information and support

Board and Committee meeting papers are circulated well in advance of the relevant meeting and where a Director is unable to attend he/she is provided with a copy of the papers and has the opportunity to comment on the matters under discussion.

The Group Company Secretary helps to ensure information flows between the Board/Committees and senior individuals/NEDs, and appropriately advises the Board on governance matters.

Directors are entitled to obtain independent professional advice, at the Company's expense, on the performance of their duties as Directors. All Committees are serviced by the Group Company Secretary's team and are appropriately resourced.

Directors have access to the advice and services of the Group Company Secretary, who is responsible to the Board for ensuring that its procedures are complied with and to assist in arranging any additional information as required. The appointment and removal of the Group Company Secretary is a matter reserved for the Board as a whole and the last appointment was made in October 2006.

Section 172 duties, including link to purpose, values and culture

Directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the:

- likely consequences of any decision in the long term;
- interests of employees;
- need to foster business relationships with suppliers, customers and others;
- impact of operations on the community and the environment;
- desirability of maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members.

As a purpose driven organisation, this also drives our approach to values and culture, to help deliver on our strategy. Board and Committee meeting attendees are reminded of these duties at the start of each meeting, including considering the long-term impact of decisions, whilst aiming to uphold the highest standards of governance.

Engagement with shareholders/constructive use of AGM

As a listed plc, engagement with shareholders is given a high priority, as part of a comprehensive investor relations programme. The Company produces Annual and Interim Reports for shareholders and the Company's website contains up-to-date information on the Group's activities, investor presentations and published financial results. Shareholders can also subscribe for email alerts of important announcements made. There are regular meetings with institutional shareholders and analysts following key trading updates, whilst ensuring that price sensitive information is released at the same time to all, in accordance with best practice market rules.

OUR BOARD
continued

There is also dialogue on specific issues, which have included remuneration policy, governance and tracker shares, as well as the recruitment of the SID/Chair and audit tender. In between trading updates, there is continued dialogue with the investor community by meeting key investor representatives, holding investor roadshows and participating in conferences. Investor sentiment is regularly relayed to the Board, whilst meetings between management and debt providers, principally the Company's banks, also take place periodically.

The Chair, SID and other NEDs are available to discuss governance, strategy or other issues, or should there be matters of concern that have not been, or cannot be, addressed through the Executive Directors. During the year, both the Chair and SID were available to shareholders, with the Chair and Group Company Secretary holding separate investor meetings, the results of which were fed back to the Board.

Views of analysts, brokers and institutional investors are sought on a non-attributed basis via periodic sentiment surveys and these, as well as regular analyst and broker publications, are circulated to all Directors to ensure that they develop a full understanding of the views of shareholders. Any issues or concerns are raised and discussed at the Board, and Directors routinely receive regular reports on share price, trading activity and sector updates.

The Board views the AGM as an opportunity to communicate with private and institutional investors alike and welcomes active participation. Whilst COVID-19 restrictions prevented shareholders attending the AGM in person in April 2020, questions were invited in advance, with these and any answers to be published on the website, if helpful. Alternative options, such as holding a virtual AGM, may be considered in the future.

The Company proposes a separate resolution on each substantially separate issue and the proxy appointment forms for each resolution provide shareholders with the option to direct their proxy to vote either for or against any resolution or to withhold their vote.

The Company's registrars ensure that all valid proxy appointments received for the AGM are properly recorded and counted and a schedule of proxy votes cast is made available to shareholders attending the meeting. There is also full disclosure of the voting outcome via the London Stock Exchange and on the Company's website as soon as practicable after the AGM.

All Board members are encouraged to attend the AGM and the Chairs of the Audit, Nomination and Remuneration Committees are available to answer questions.

The Notice of AGM is posted at least 20 working days prior to the date of the meeting and the Company's website contains copies of all Notices issued.

Engagement with employees

Denise Collis was appointed on 1 December 2018 as the designated NED responsible for employee engagement, to gather views from employees and ensure that these are brought into the Boardroom. In carrying out this role, Denise has met with a diverse range of employees, at all levels of seniority, whilst also engaging with Group and local HR teams. See separate Employee Engagement section.

Stakeholder influence in decision-making

To ensure the continuing success of the Group in setting strategy, making decisions and addressing principal risks, key stakeholders are considered as part of the business model and value chain.

The Board annual programme, reviewed each year, is designed to ensure the voice of each stakeholder group is heard, either directly, (e.g. by inviting customers to a Board meeting) or indirectly, (e.g. through independent surveys or management reports).

The Board oversees and challenges the executive on stakeholder engagement and its influence on strategy by including appropriate direct or independent assessments, (e.g. investor or client/customer survey feedback), but also ensuring appropriate stakeholder management processes are in place, (e.g. by facilitating escalation procedures and complaints/grievance mechanisms, (e.g. whistleblowing), which are also appropriately reviewed or audited, as needed.

The issues, factors and stakeholders that the Board considers relevant to complying with Section 172 are set out in the Section 172 statement and also summarised in the following table. This includes activities, key focus areas, principal decisions made versus consideration of stakeholders, as well as any difficulties (such as where trade-offs have been made, e.g. between stakeholders or short versus long-term benefit), KPIs and future consequences or planned actions.

Key stakeholders	Why stakeholders are identified as key	How stakeholders and other matters are considered/impact	Examples of decision-making influence/key impacts
Clients/customers or suppliers	Critical to understand client/customer needs, behaviours and evolving demands, to retain and attract business, provide opportunities for growth and deliver relevant services or against requirements. Suppliers are vital to ensure efficient and best service. Engaging with our supply chain means that we can ensure security of systems to deliver efficiently.	Feedback from regional MDs at Board meetings, surveys/ NPS scores or social media; also financial performance. Tenders, long-term partnerships for suppliers. Impacts the range of services offered, efficiency and quality, as well as reputation, ethical trading, long-term relationships and financial performance.	In deciding to withdraw from Australia to focus on our top five core regions, the Board had to weigh up various competing key stakeholder impacts. Ultimately, the long-term desire for strategic and shareholder focus was prioritised whilst attempting to minimise any short-term adverse client/candidate or people impacts. The decision to right-size and refocus the business as a result of the COVID-19 pandemic also required prioritisation of new customer trends and demands in the short term, whilst retaining the skills, capacity and management capability to fulfil our long-term ambitions. Project Helix and other transformation projects all reflect this renewed focus.
Candidates or candidate communities	Vital to understand candidate profiles, behaviours, priorities and challenges to ensure optimal job match for both candidates and clients.	Feedback from regional MDs at Board meetings, surveys/ NPS scores or social media. Ensuring sustainable and personable relationships, building reputation and financial performance.	NPS or other surveys are reviewed by the Board with any follow-up actions closely monitored. Candidate videos are also utilised to promote SThree and/ or client communities and use direct feedback. This was reflected in how we reached out to candidates assigned to clients during COVID-19, as well as other support mechanisms.
Employees or people	Our greatest asset, interactions with employees significantly impact customer experience of our brands. Employees are fundamental to the achievement of our customer experience ambitions and are the cornerstone of our services proposition, looking after our clients, candidates and processes.	eNPS engagement surveys, retention statistics, recognition and reward, Learning & Development Board updates. Employee Engagement NED activity. Improving Company culture, values, reputation, wellbeing, career opportunities, training and development, recognition and reward, retention and diversity and inclusion targets.	Lockdown restrictions meant having to adapt quickly to support global remote working. This meant approving the fast tracking of our capex/IT spend including laptops and digitalisation of internal processes, as well as investing in appropriate L&D and support mechanisms to our employees, whilst managing the short-term cash impact, plus the wellbeing and THRIVE initiatives also launched to support our employees in the new working environment.

OUR BOARD continued

Key stakeholders	Why stakeholders are identified as key	How stakeholders and other matters are considered/impact	Examples of decision-making influence/key impacts
Investors	As a listed plc, primary responsibility to investors to communicate strategy effectively, provide fair, balanced/understandable information, to instil trust and confidence and allow informed investment decisions to be made; also delivering share price/dividend growth.	Roadshows, conferences, Capital Markets Days, AGM/other meetings, trading updates, shareholder consultations, website, Annual/Interim Reports. Capital allocation/dividend policy, performance versus peers, broker or independent sentiment surveys.	The impact of COVID-19, particularly in its early stages, required swift action to protect our long-term going concern and liquidity position. A range of measures were taken, including not paying dividends during 2020, as well as right-sizing the business and Director salary cuts/forgoing bonus. Whilst noting the adverse impact of not paying a dividend to our income focused shareholders, this action was appropriate having also weighed up the overall impact of cost-saving measures taken, particularly on employees and others. As the year has progressed, the decision was taken to repay all UK Government assistance monies, with the dividend position to be actively monitored as we enter 2021.
Community	Giving something back, supporting STEM, long-term business sustainability.	ESG Committee and reports to Board/shareholders. ESG investment programme, volunteering, charitable giving.	
Environment	Climate change is having a growing impact in shaping clients', as well as our own activities with market and regulatory developments in this area presenting emerging risks and opportunities.	ESG Committee and reports to Board/shareholders. Enhancing environmental reporting in line with new regulations and setting targets to improve. ESG investment programme, including recycling.	The Chair and CEO sit on the ESG Committee to hear, first hand, about important initiatives and help shape our strategy. Increasingly, the importance of ESG is being recognised by all of our stakeholders so it is a relatively straightforward decision for the Board to invest time, effort and resource to meet stakeholder pressure but also as it is the right thing to do.

EMPLOYEE ENGAGEMENT

Last year we reported to shareholders on my appointment as the designated NED responsible for employee engagement, the various activities undertaken during 2019 and the key issues raised by our employees. This year, we have accelerated our efforts and I am pleased to report that we have made good progress.

Unfortunately, due to COVID-19, it has not been possible to continue our programme of office visits. However, the roll-out of laptops to all employees and the use of video conferencing has enabled me to connect more easily and frequently with our people. I have run three focus groups drawn from a mix of office locations, roles, seniority, sales/non-sales mix, ethnic background and gender, in mainland Europe, the USA and the UK, in addition to participating in a focus group dedicated to diversity issues. Through these interactions, I had the opportunity to re-engage with participants from the IdentiFy programme, a diversity initiative aimed at identifying and developing talented women across SThree.

Following completion of the programme in 2018, participants set up a self-managed learning group, and I had the pleasure of attending two of their events, assuming an ongoing mentoring role. I have also had regular catch-up sessions with the Chief People Officer as well as working closely with the Global Diversity, Inclusion & Engagement Business Partner.

At the Board meeting in November, we had a dedicated session on employee engagement, where I presented my report along with a list of potential actions, many of which will now be implemented in 2021.

Looking forward to 2021, we have decided to hold two dedicated Board sessions on engagement. I will continue to meet with a wide range of employees, both virtually and, hopefully, through a resumption of office visits.

In addition, we have asked a selection of employees that I have engaged with this year to form a rolling sub-group that I can meet with regularly to effectively act as a litmus test for changing employee sentiment.

Finally, I would like to thank my Board colleagues for their unstinting support for my employee engagement role, and their commitment to turn the usual good intentions into tangible actions. The progress we are making is only possible due to the tone set at the top of the organisation and it is a pleasure to undertake this role in an organisation that is absolutely committed to a culture where diverse talents are enabled to flourish.

EMPLOYEE ENGAGEMENT
continued

Key opportunities arising from employee feedback	Action taken during 2020 or planned for 2021
Better segmentation of audiences for communication purposes and greater visibility of the Senior Leadership Team. More structure around celebrating success and morale boosting activity.	Output from 2020 eNPS is to develop a clear people communication strategy which will be co-owned by the CPO and Communications Director – with focus on people engagement, recognition and 'celebrating success'.
More openness around planned improvements to IT and operational infrastructure.	COO joined SThree in April 2020 with accountability for Technology & Operations. Clear strategy being developed and implemented with regular updates to the Board, Senior Leadership Team and more broadly organisationally where relevant.
Continued focus on Diversity and Inclusion, with visible declarations of intent.	Acceleration of D&I strategy with focus on target setting and data collation. Examples of accelerated activity include leadership training and awareness, a Senior Leadership Reverse Mentoring Programme, and bi-annual conversation groups with our people on diversity topics that are important to them.
Improved L&D, particularly targeted at manager effectiveness and leadership development.	Launch of Leadership Development Programme in partnership with Bridge in September 2020. Two initial cohorts now live, with further cohorts planned for 2021 in addition to the Leadership Programme focused on culture, behaviours and development of leadership narrative.
Further guidelines on remote working and upskilling of managers, with more practical support for home working.	Remote and flexible working are pillars within the 'reimagining work' programme and this includes support focused on technology availability, learning and development interventions, management training and will lead into broader H&S assessments (as an example).
Further work on levelling up the sales and non-sales groups around career paths, progression and market competitive reward.	Key strategic pillar in people plan to enable SThree to move from UK-centric business to global operating company is the review of global structures and frameworks encompassing the grading structure, aligned reward framework and underpinned by clear career pathways and development planning.

Case study
IdentiFy

Highlights:
- Commenced in 2017, with 25 high-potential women
- 12 months' duration, with mix of key learning events and coaching/mentoring
- 18 participants still with SThree (72%)
- 15 promotions, with one person promoted three times
- 4 lateral moves
- 11 maternity returners after participating
- 7 leavers

Participants reported that:
- Their confidence had significantly improved
- The breadth of career opportunity had increased
- Their desire to pass on their personal learning had resulted in them coaching others
- Their ability to effect change had increased, e.g. developing a support blueprint for maternity returners

A new IdentiFy programme will be launched in 2021, with the original participants invited to become involved with the new cohort.

Denise Collis
Non-Executive Director,
Senior Independent Director

"Keep listening. Keep having these focus groups and avenues for people to give their feedback and experiences and make sure that comes full circle so we feel like we are contributing to the positive changes that are being made".

Angela King,
US focus group.

NOMINATION COMMITTEE

"This year, COVID-19 and high-profile news events have highlighted the importance of diversity and inclusion. Whilst we have made progress, like many organisations around the world we know that we have further work to do to create a more representative Board and management team."

Committee meetings attended

2

James Bilefield (Chair)	2/2
Barrie Brien	2/2
Denise Collis	2/2
Anne Fahy	2/2

Full biographies are available on pages 92-93

The Committee complies with the requirement to have a majority of independent Non-Executive Directors ('NEDs').

I am pleased to present to you the Nomination Committee report. The report provides underlying detail on the Committee and its activities during the year, in compliance with the UK Corporate Governance Code ('the Code').

This year, COVID-19 and high-profile news events have highlighted the importance of diversity and inclusion. Whilst we have made progress, like many organisations around the world we know that we have further work to do to create a more representative Board and management team.

During the year we created our first senior Diversity and Inclusion ('D&I') role within the Group, which is already helping to shape and embed better practices. Whilst gender metrics, including pay gap, are routinely reported, we are also looking to widen our data collection of ethnicity and other relevant criteria, where permitted, to assist in tracking our progress in these areas. This will help to further drive our development and succession planning processes and impact our culture.

Summary of Terms of Reference

The Committee's Terms of Reference are, broadly, to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, make recommendations with regard to any changes and to review and prepare relevant job descriptions for new appointees, as well as ensuring the continuing development of, and adequate pipeline into, the Executive Team for succession and bench strength purposes.

Summary of core Committee activities carried out during the year:

- Reviewed and approved the Board and senior management succession plans
- Reviewed the composition and effectiveness of the Board/ Committees, with diversity a key criteria
- Reviewed the Committee's Terms of Reference (every two years)

Succession planning and diversity

During 2020, the Committee's work was focused on further strengthening the Senior Leadership Team around the CEO, whilst ensuring the continuing development of, and adequate pipeline into, the Executive Team, with the appointment of a new COO with a strong IT background, in addition to the Chief People Officer ('CPO') role filled in 2019. We also promoted our senior regional Managing Directors ('MDs'), following the departure of our Chief Sales Officer ('CSO'), as well as refreshing the leadership of some of our key non-sales functions based in Glasgow, including technology and marketing. Initiatives are ongoing throughout the Group to ensure that there is an appropriate management pipeline at all levels, having this year launched new internal talent and succession processes supported by both individual and collective development interventions.

Denise Collis continues to act as the designated NED responsible for employee engagement and to understand and represent the views of employees at Board level. Denise has attended a number of focus groups with a wide range of employees during the year, both face-to-face and virtually due to COVID-19 restrictions. These focus groups have discussed subjects such as executive remuneration, diversity and inclusion, and health and wellbeing.

The Committee also periodically reviews Board composition to ensure that the Code provisions regarding diversity, over-boarding, Chair tenure and Remuneration Committee Chair experience are all complied with.

The Committee considers future succession planning for Board or other Senior Executive roles, reviewing leadership, experience and skill needs and bearing in mind the existing balance to ensure appropriateness.

Appointment processes, including the use of external search consultants

Appointments to the Board are the responsibility of the full Board, upon the recommendation of the Nomination Committee and after appropriate external search/consultation, bearing in mind the Board's existing balance of skills, knowledge and experience, the specific role/capability needs identified, and with due regard to diversity, including gender. Succession plans are regularly reviewed by the Committee in order to ensure an orderly progression/ refreshment of senior management/ Board members and maintain an appropriate balance of skills, experience and diversity both within the Company and on the Board.

The Committee engages external search consultants with respect to both Executive and Non-Executive appointments and considers applicants from all backgrounds, with appointees selected and chosen entirely on merit, as was the case for the most recent appointments, including the CEO in March 2019.

Under the direction of the Nomination Committee, each formal selection process is conducted consisting of a series of interview stages, involving Directors and other Senior Executives, against the background of a specific role/capability definition and objective criteria. Details of the composition, work and responsibilities of this Committee are set out under the relevant section later in this report.

All Directors are subject to annual re-election, although NEDs are typically expected to serve for an initial term of three years, which, in normal circumstances and subject to satisfactory performance/re-election at each AGM, is automatically extended annually. NEDs will normally serve no longer than nine years, subject to review as part of the AGM re-election process and their agreement. The Company's Articles of Association also contain provisions regarding the removal, appointment, election/re-election of Directors.

Commitment

For Board vacancies, the Nomination Committee approves a detailed job specification, which sets out the indicative time commitment expected. Potential Director candidates are required to disclose any significant outside commitments prior to appointment and must undertake that they have sufficient time to meet these, in addition to Company business.

Upon joining, each NED receives a formal appointment letter which identifies their responsibilities and expected minimum time commitment, which is typically two to three days a month. These letters are available for inspection at the Company's registered office, or by contacting cosec@sthree.com.

NOMINATION COMMITTEE CONTINUED

Development

At scheduled Board and Committee meetings, Directors receive detailed reports from management on the performance of the Group or specific areas of focus and responsibility. NEDs may visit the Group's sales offices or other locations in order to join staff members and other stakeholders from different geographic areas to discuss current initiatives. Directors are aware of their responsibilities and are briefed on relevant regulatory, legal, governance or accounting matters periodically, as required. Directors also attend external seminars on areas of relevance to their role in order to facilitate their professional development, whilst NEDs also use external insights from their own development networks to support the management team. These measures help to ensure that the Board continues to develop its knowledge of the Group's business and get to know senior management, as well as promoting awareness of responsibilities. Executive Directors are encouraged to accept external appointments in order to broaden their experience, although currently no such positions are held.

Induction arrangements are tailored for new appointments to ensure that these are appropriate to each role, dependent on previous experience. Directors and other Senior Executives are invited to attend analyst briefings and Capital Markets Days presentations, and major shareholders are invited to meet relevant new NEDs.

As part of the annual Board evaluation process, the Chair assesses any training and development needs in respect of individual Directors, including on environmental, social and governance ('ESG') matters.

James Bilefield
Nomination Committee Chair
22 January 2021

Board evaluation

As recommended by the Code, Board and Committee evaluations were undertaken during the period under review, which took the form of electronic questionnaires circulated to all Board members and attendees. Overall, the Board scored highly across a range of important dimensions. The key focus areas resulting from this exercise are summarised below and were discussed at the Board meeting in November 2020 with implementation to occur throughout 2021.

Focus areas	Suggested actions
Board's current composition	Discuss how to improve diversity across various dimensions
Understanding of customers	Build into regional presentations
Understanding of candidates	Build into regional presentations
Understanding of community at large	Build into ESG presentations
Relationships between NEDs/ management	Increase physical meetings and Board dinners in 2021/mentoring
Use of summaries	Make summaries mandatory for all Board papers
Ongoing training	Board focus on D&I training
Understanding of digital/technological developments in terms of opportunities/ threats	Progress via project updates and at Board strategy session
Top strategic issues	Review at Board/strategy session
Board oversight of talent management/ development processes	Nomination Committee to address; L&D updates re HIPO programme
Board's performance, top priorities for the coming year	Review at Board/strategy session
Remuneration Committee continuing to move towards being a 'well-oiled machine' in the development of agenda/ papers	New Head of Reward to address

AUDIT COMMITTEE

"The impact of COVID-19 has meant that strong internal controls, risk management, liquidity, viability and cyber/fraud protection are more important than ever, and the Committee has focused its activities accordingly."

Committee meetings attended

4

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

Full biographies are available on pages 92-93

As Chair of the Audit Committee, I am pleased to present, on behalf of the Board, its Audit Committee report, prepared in accordance with the UK Corporate Governance Code (the 'Code').

The impact of COVID-19 has meant that strong internal controls, risk management, liquidity, viability and cyber/fraud protection are more important than ever, and the Committee has focused its activities accordingly.

Having reviewed the content of the Annual Report, the Committee considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

The Committee's principal responsibilities

- To monitor the integrity of the Consolidated Financial Statements of the Group and any announcements relating to financial performance.
- To review significant financial reporting issues and judgements.
- As requested by the Board, to advise whether, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's performance, business model and strategy.
- To review the Group's internal financial controls, internal control and risk management systems and reporting, including supporting the Board in overseeing risk management activity, advising on risk appetite and assessing material breaches of risk controls.
- To monitor and review the effectiveness of the Group's Internal Audit function.
- To agree the external auditors' engagement terms, scope, fees and non-audit services, to monitor and review the external auditors' effectiveness and associated independence and recommend re-appointment to the Board and shareholders.
- To review arrangements by which the Group's employees may raise concerns about possible improprieties in financial reporting or other such matters and ensuring appropriate follow-up.
- To monitor and review the activities and priorities of the Group's Risk & Compliance function and the Risk & Compliance Committee.
- To assess procedures for detecting fraud or preventing bribery.
- Where requested by the Board, to advise on proposed strategic transactions, including conducting due diligence appraisals and focusing on risk aspects.

The Committee carries out an annual assessment of its effectiveness in order to consider whether any improvements are needed.

AUDIT COMMITTEE CONTINUED

Activities of the Risk & Compliance Committee ('R&CC') were further embedded during the year, through an activity programme agreed in advance with the Committee. This helped in the level of preparedness for COVID-19, through risk workshops, resulting in improved risk understanding and risk register ownership. Early creation of a COVID-19 decision-making group of cross-functional leaders, chaired by the Head of Compliance & Risk, also helped to mitigate much of the COVID-19 impact, allowing operations to continue seamlessly through remote working, whilst ensuring employee and client health and wellbeing were paramount.

Further expansion of the R&CC structures into the regions, also led by the Head of Compliance & Risk, has meant faster resolution of issues at local level, whilst ensuring high standards of internal controls are maintained.

Work has also continued on updating a number of key policies, whilst adapting the externally led evaluation of the Group's health and safety procedures, to build in any necessary impact of COVID-19 on working practices.

Cash and liquidity scenario modelling processes were strengthened at an early stage, with more frequent and broader going concern impact assessments being undertaken to ensure the ongoing viability of the Group in the most demanding 'severe, but plausible' circumstances. In parallel, we also took actions to strengthen the balance sheet, such as greater focus on working capital management, applying for the BOE COVID-19 Corporate Finance Facility (not drawn down), as well as supporting the Board in its deliberations around deferral of tax payments and not paying dividends during 2020.

By overseeing these activities, the Committee is able to support the Board to enable it to further embed the Code provisions on risk, control and viability, whilst strengthening the internal control environment by ensuring the independence, effectiveness and quality of both internal and external audit processes, as well as of the Committee itself.

Likewise, with the greater potential for fraud with COVID-19, Internal Audit ('IA') continues to play an important role in the Group's governance, providing regular updates to the Committee, with tracking of remedial action in the case of any control failures. At the start of each year, an annual IA plan is presented for the Committee to agree, after appropriate review and challenge. This plan, with agreement of the Committee, was flexed and adapted to respond to the new challenges posed by COVID-19.

IA have also played a key part in helping the business to drive further improvements, through creation of a working group comprising the CFO, COO, IA Head, Head of Compliance & Risk and the Director of Operations, based in Glasgow. This group focused specifically on developing an agile IA plan and recommendations to deliver clear improvements against key emerging or other risks, in order to strengthen risk mitigation. Continued use of our robust IA action tracking system again resulted in transparency, accountability, quality and timeliness of action close outs.

Significant focus is placed on key accounting judgements and estimates, which underpin the financial statements, namely:

- Revenue recognition;
- Impairment of investments carrying value (Company only); and
- COVID-19 related disclosures, including impact on going concern and viability statements.

All of these were fully considered in the light of the latest FRC guidance and COVID-19 impact.

Summary of core Committee activities carried out during the year:

- Approved annual Committee programme/cycle of work.
- Reviewed and recommended to the Board the full and half-year financial results for publication.
- Considered the external audit plan and reviewed the audit results.
- Approved the IA plan and reviewed all reports/findings.
- Reviewed the performance, independence and effectiveness of the external auditors.
- Reviewed any non-audit services provided by the external auditors.
- Reviewed the risk management and controls framework and effectiveness, together with the Group's principal risks.
- Carried out a review of the Committee's effectiveness.
- Considered the Code requirements concerning fair, balanced and understandable reporting.
- Considered the Company's going concern and long-term viability.
- Recommended the Audit Committee report for approval by the Board.
- Held discussions with the external auditors and Head of IA without management present.

The Committee also considered, amongst other matters, project implementation/tracking and post-implementation reviews, technical accounting matters and their appropriate disclosure, treasury matters/viability and scenario modelling, as well as fraud and whistleblowing, whilst also supporting the Board in its discussions on crisis management, systems implementation and other key risk areas. The Committee aspires to best practice governance and reporting, with commentary from the 2020 Interim Report used by the FRC Reporting Lab in its examples of best practice disclosures.

As in prior years, it also took the opportunity to review and update its Terms of Reference in line with best practice guidance and evaluated its performance, which it does annually, although this year the evaluation was conducted internally. From this review, the Committee has concluded that it is functioning effectively.

Committee composition

The Committee consists of Anne Fahy (Chair), Barrie Brien, Denise Collis and James Bilefield. The Group Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Group Company Secretary, external auditors, Head of Compliance & Risk, Internal Audit and Finance function heads also attend meetings by invitation.

Committee membership, including recent and relevant financial, audit or sector experience

Anne Fahy is a Chartered Accountant and has held senior executive financial positions at BP, whilst Barrie Brien is also a Chartered Accountant. Denise Collis and James Bilefield are degree educated and have held senior management positions, which include financial responsibility, and the Committee, taken as a whole, is considered to have appropriate sector experience.

Risk management, internal controls, key focus areas and viability

The Committee supports the Board in its overall responsibility for risk management activities and implementing policies to ensure that all risks are evaluated, measured and kept under review by way of appropriate KPIs, as part of the Group's ERM framework.

Presentations from senior management across the business are provided to the Board to further develop information, understanding and debate on risks.

This activity includes monitoring of the effectiveness of the Group's risk management and internal control systems in order to safeguard shareholders' investments and the Group's assets and, at least annually, carrying out a robust assessment of risks and the effectiveness of associated controls on behalf of the Board.

No significant failings or weaknesses were identified by the Committee from this review.

The Committee works closely with the Chief Financial Officer, Group Company Secretary, Head of Compliance & Risk, IA team and external auditors to ensure that any potential material misstatement risks are identified and targeted in terms of the overall audit strategy and that audit resources and the efforts of the engagement team are correctly allocated. This helps to ensure the effective planning and performance of the external and internal audit teams, focused on risk, and has resulted in a continued improvement in processes and controls over recent years.

A key focus area for the Committee this year, with COVID-19, was reviewing and challenging the scenarios underpinning the going concern/viability statements, to enable Board sign-off, also being impacted by continuing macro-economic uncertainty globally. Through more rigorous and comprehensive stress testing the Committee was able to recommend to the Board an appropriate statement of viability.

In response to heightened cyber and fraud risks, deep dives were conducted at the Board risk workshop, plus the IA plan was flexed to react to any COVID-19 risks, for example as part of the review of banking processes, with much clearer processes on phishing and changing bank details now in place, all of which was covered within regular Committee reports.

External auditors

Responsibilities in relation to external auditors

During the year, the Committee carried out each of the following:

- recommended the re-appointment of PwC as external auditors, for subsequent ratification of their remuneration and terms of engagement by shareholders;
- reviewed and monitored the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- reviewed the policy on the engagement of the external auditors and supply of non-audit services. This policy sets out a 'whitelist' of permitted non-audit services, lists examples of prohibited services, sets out typical audit-related services, their award and approval, explains the cap on non-audit services which can be billed, and sets out reporting and independence provisions.

Appointment, objectivity and independence

Following the conclusion of the last formal audit tender in early 2017, both the Committee and the external auditors have safeguards in place to ensure that objectivity and independence are maintained. The Committee also considers independence taking into consideration relevant UK professional and regulatory requirements. Non-audit services relate to the half-year agreed- upon procedures and PwC Viewpoint (regulatory updates) subscription, whilst net revenues generated to the Group through recruitment services provided to PwC as a client are not material.

The external auditors are required to rotate audit partners responsible for the Group audit every five years and the current lead audit partner, Kenneth Wilson, was appointed in 2019, following appropriate transition. This also reflected the focus of the audit team's activities moving to Glasgow.

Performance and tendering

During the year, the Committee reviewed performance and fees and met with the external auditors, PwC, regularly, without management present. Prior to their most recent re-appointment, following a robust tender process, PwC originally replaced BDO as auditors in 1999 and became auditors of the public company in 2005. The Committee considered that factors such as regular audit partner rotation, adoption of enhanced audit techniques, as well as fee structure, have all contributed to PwC's satisfactory performance and independence. The Committee therefore considers that the existing relationship has worked well and remains satisfied with PwC's effectiveness.

Whilst there are no contractual obligations restricting the Group's choice of external auditors, per se, EU rules now prevent certain 'prohibited' services from being carried out in addition to auditing activities. Any such activities must first cease, before a firm can be considered for audit tender. Accordingly, the external auditors ceased such services in 2016 in order to be considered for the tender completed in early 2017. These restrictions remain in place.

Framework used by the Committee to assess effectiveness of the external audit process

The Committee has adopted a broad framework to review the effectiveness of the Group's external audit process and audit quality which includes: assessment of the audit partner and team with particular focus on the lead audit engagement partner; planning and scope of the audit, including a dedicated audit planning afternoon, with identification of particular areas of audit risk; the planned approach and execution of the audit; management of an effective audit process; communications by the auditors with the Committee; how the auditors support the work of the Committee; how the audit contributes insights and adds value; a review of independence and objectivity of the audit firm; and the quality of the formal audit report to shareholders.

Feedback is provided to both the external auditors and management by the Committee and its attendees, based on the above, with any actions reviewed by the Committee.

The effectiveness of management in the external audit process is assessed principally in relation to the timely identification and resolution of areas of accounting judgement, the quality and timeliness of papers, analysing those judgements, management's approach to the support of independent audit and the booking of any audit adjustments arising, as well as the timely provision of documents for review by the auditors and the Committee.

Policy on non-audit work

The Committee sets clear guidelines on non-audit work, which is only permitted where it does not impair independence or objectivity and where the Committee believes that it is in the Group's best interests to make use of built-up knowledge or experience. Such work has included services required due to legislation and assurance work or other specialist services. The Committee continuously monitors the quality and volume of this work, fees incurred, as well as independent safeguards established, in order to consider whether to use other firms and continues to use such firms to provide general tax advice or for other projects.

Following further changes to the EU Ethical Standards, the Committee reviewed its policy on non-audit work and has updated it. As such, the policy aligns with regulations to prohibit a number of non-audit services, whilst also meeting APB Ethical Standards and FRC guidance, to clearly set out:

- which types of non-audit work are allowed/prohibited;
- the types of work for which external auditors can be engaged without Audit Committee referral, provided such services fall below £25,000 and are not specifically prohibited; and
- for which types of work Audit Committee Chair referral is needed, i.e. which are above £25,000.

Fees paid to external auditors for non-audit work

Audit fees for the year were £741,000 (£711,000 base fee, plus £30,000 additional audit costs related to the SAP migration to the cloud). Prior year fees were £415,000 (£390,000 base fee, plus £25,000 additional audit costs related to the transition of the support function to Glasgow). The increase in audit fees reflects the general firming of the audit market/FRC requirements. The Committee reviews all non-audit work against policy to ensure it is appropriate and the fees justified. Non-audit fees have decreased compared to the prior year, being £12,000 in 2020 (2019: £13,000).

Areas of key significance in the preparation of the financial statements

Prior to publication of this Annual Report and Accounts, the Committee reviewed the accounting policies and significant judgements and estimates underpinning the financial statements as disclosed within note 1. Particular attention was paid to the following significant issues in relation to the financial statements:

- revenue recognition, including the constraint of variable consideration. At each reporting date, a portion of the Group revenue is based on the estimated value of provided service for which no timesheets have been received. The key estimation uncertainty arises from determining the historical shrinkage rate which is used to constrain the variable part of revenue. The estimation method applied, and the use of the shrinkage rate were considered appropriate by the Committee and in line with IFRS requirements.
- the impairment testing of the Company's investments in subsidiaries, with a particular emphasis on reviewing and challenging the key assumptions used in the calculations of recoverable amounts. These assumptions as well as the sensitivity analysis are described in note 12 to the Consolidated Financial Statements and draw appropriate attention to the judgements and estimates involved.
- the impact of COVID-19, in addition to ensuring that the overall disclosure of the impact of COVID-19 health crisis in the Annual Report and Accounts was appropriate and in line with FRC guidance, the Committee also undertook to review the appropriateness of adopting the going concern basis of accounting in preparing the financial statements and to recommend to the Board the approval of the viability statement. The Committee reviewed and challenged the assumptions underlying the forecast models underpinning the going concern and viability statements including the appropriateness and relevance of the severe but plausible stress tests to ensure adequate liquidity and covenant compliance throughout the relevant periods. The assessment included a review of the management's work in conducting a robust assessment of the risks facing the Group, their potential impact, how they were being managed, together with a discussion as to the appropriate period for the assessment.

For each of the above areas the Committee considered the key facts and judgements outlined by management.

AUDIT COMMITTEE
CONTINUED

These matters were also discussed with the external auditors and further information can be found in the Independent Auditors' Report.

The Committee is satisfied that there are relevant accounting policies in place in relation to these significant issues and management have correctly applied these policies.

Internal Audit ('IA')

IA plays an integral role in the Group's governance and risk management processes and provides independent assurance to the Committee on compliance with its policies and procedures. The function carries out a wide variety of audits including operational as well as ad hoc and project-based reviews and fraud investigation.

The Committee oversees and monitors the work of IA, which carries out risk-based reviews of key controls and processes throughout the Group on a rolling cycle, including resources, scope and alignment with principal risks and effectiveness of the function.

The Head of IA has direct access to the Committee and meets regularly with both the Committee and its Chair without management present to consider the IA work programme, which is approved in advance by the Committee.

For 2020, whilst the programme was again focused on addressing both financial and overall risk management objectives across the Group, with reviews carried out, findings reported to the Committee, recommendations tracked and their close out monitored, the creation of the earlier mentioned working group enabled specific focus on developing an agile IA plan in response to COVID-19.

No significant weaknesses were identified from the risk management or internal control reviews undertaken by IA during the reporting period and throughout the financial year. The IA team, working with the Group's compliance function, has continued to enhance the risk management framework and work with managers across the globe to further develop and embed the risk framework and methodology at a local level, whilst also ensuring that the IA plan is closely aligned to risk. Senior management are invited to present to the Committee, from time to time, to report back on progress against agreed IA actions and other risks in their area of responsibility. Members also attended a Board risk workshop, where the Group's key risks were discussed, including the pandemic, Brexit, IT/cyber risks and emerging risks.

The Committee ensures that the Group's IA function remains at an appropriate size and skill mix for the business, and firmly believes that this function remains effective and continues to add significant value. In support of this view, an external evaluation of the IA function was conducted during 2019 which concluded that the IA function was highly effective, and an internal evaluation was undertaken in 2020.

Risk & Compliance Committee ('R&CC')

The R&CC was created in 2018, with agreed Terms of Reference, and a regular reporting slot at each Audit Committee and Risk & Compliance Committee meetings all now well underway, with appropriate support/governance underpinning. Feedback from Committee members is that this has been a very positive step forward, resulting in a number of demonstrable improvements. There is also a dynamic input into the IA plan, with emerging risks identified and addressed more seamlessly than before. Much of the focus of the R&CC during the year was on managing and mitigating risks arising from COVID-19.

Fraud and cyber risks

The Committee reviews the procedures for the prevention and detection of fraud in the Group and has also closely monitored improvements to cyber security protection in the light of increasing risks in this area, having particular regard to data breaches that the Group may face and the processes and controls in place to tackle any security threats. An external review took place led by the COO, and a management action plan has been agreed to ensure ongoing protection in these areas.

Suspected cases of fraud must be reported to senior management and are investigated by IA, with the outcome of any investigation reported to the Committee.

Anti-bribery and corruption and business ethics

The Group maintains a zero-tolerance approach against corruption. It has an established anti-bribery and corruption policy, which includes guidance on the giving and receiving of gifts and hospitality. This policy applies throughout the Group and was updated in 2019, in line with the policy review reported to the Committee. A Gifts and Hospitality Register is maintained to ensure transparency.

The Group also has a Code of Conduct which sets out the standards of behaviour by which all employees are bound. This is based on the Group's commitment to acting professionally, fairly and with integrity.

Whistleblowing hotline

The Group has in place a dedicated independent whistleblowing hotline, which is well publicised across the Group, including via the intranet, with any notification initially reported to the Group Company Secretary and Head of IA, before being reviewed by the Committee. Under this arrangement, employees are able to report any matters of concern, where this does not conflict with local laws or customs (see 'Company information and corporate advisors' section for details). Policy aligns with best practice, with a review of a hotline provider and refreshed communication of the whistleblowing arrangements undertaken last year. During the year, no incidents were reported. All issues raised are fully investigated and appropriate action taken.

Committee evaluation

Following an external evaluation in 2019, the Committee conducted an internal evaluation process this year which included feedback from management attendees, as well as Committee members. From this review, the Committee has concluded that it continues to function effectively.

Anne Fahy
Audit Committee Chair
22 January 2021

DIRECTORS' REMUNERATION REPORT

The Committee has sought to make appropriate remuneration decisions in light of the impact that COVID-19 has had on business performance, taking swift action to reduce Board salaries, fees and bonus awards during the year to reflect these unprecedented market conditions. Looking forward, our approach to incentivisation is aligned to our focus on restoring our track record of profit growth and enhancing shareholder value.

Denise Collis,
Chair of the Remuneration Committee
22 January 2021

Committee meetings attended

4

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

Full biographies are available on pages 92-93

Dear Shareholder

On behalf of the Board, I am pleased to present this Directors' remuneration report for the period ended 30 November 2020. At the 2020 AGM shareholders approved, by a significant majority, a new remuneration policy, which is intended to apply for three years from that date. The new policy was the culmination of a thorough engagement process with major investors, where we welcomed a variety of views and opinions. Despite some variations in perspective, there was widespread support, as evidenced by over 95% voting in favour. This reinforces our view that our pay policy continues to reflect our business strategy, with remuneration payments that are strongly linked to performance.

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.

The Annual report on remuneration describes the implementation of the policy in 2020 and how we intend to operate the policy in 2021 and, together with this Statement, will be subject to an advisory shareholder vote at the 2021 AGM.

Adjustments to the operation of the policy in light of the impact on the business of the COVID-19 pandemic

2020 has been a year of unique challenges as a result of the impact on the business of the COVID-19 health crisis. As a Committee, we have focused on our responsibility to ensure the right outcome on executive pay matters in light of the experience of all stakeholders, particularly our employees, many of whom were furloughed during the year, and our shareholders, given the decision not to pay the final 2019 and the interim 2020 dividend. We responded quickly in taking immediate action, as set out in an announcement to the market on 6 April 2020, as soon as the pandemic started to impact our business. Specifically:

- The CEO, CFO, and other senior executives, agreed to a temporary 20% base salary and pension reduction from 1 April to 1 August 2020.
- The CEO and CFO agreed to forego any 2020 bonus.
- All NEDs (including the Chair) agreed to a temporary total fee reduction of 20%, with effect from 1 April to 1 August 2020.

Support for employees in response to the COVID-19 pandemic

Looking back on the year, it is important to recognise our employees for their energy and commitment in responding to the impact of COVID-19. The vast majority were required to transition swiftly and effectively to remote working, whilst simultaneously supporting our clients, candidates and contractors as they, in turn, grappled with the disruption and subsequent new ways of working. Supporting our employees has been an absolute priority which has been enacted through a new global wellbeing strategy called THRIVE, centred around the four themes of, body and mind, financial stability, personal growth and self-purpose. From a financial perspective sales employees incentive schemes were continued, together with the payment of the 2020 annual bonus and the annual salary review for non-sales employees.

Pension provision

We are aware that the landscape has evolved rapidly on executive pension provision.

The pension contribution rate for the CEO is 5% of salary and, as previously communicated to shareholders, for the CFO it is frozen at the monetary equivalent to 15% of his 2019 salary (so that future salary increases do not increase the pension level). The Committee has determined that the pension rates will remain at the current levels until 1 December 2022, at which time they will align to the percentage pension rate applying to the majority of our UK employees, which at the current time is 4%.

Remuneration payable for performance in 2020.

Despite the challenges presented by COVID-19, the Group delivered a creditable performance in its key markets, particularly when compared with sector peers. Nonetheless, at the outset of the pandemic and as part of a comprehensive cost saving exercise, the Committee took swift action to reduce senior executives' salaries and pension contributions and NED fees. In addition, the CEO and CFO also agreed to forego their annual bonus, reflecting the significant financial uncertainty.

The 2018-2020 LTIP award, based on our performance over the three financial years to the end of 2020, was significantly impacted by the pandemic. For the half of the award based on the EPS performance condition, an adjusted EPS for 2020 of between 30.0p and 41.0p was required in order for the award to vest. Whilst the award had been on track to deliver an outcome within the range prior to the pandemic, actual adjusted EPS performance for 2020 was 12.5p, resulting in 0% vesting of the EPS part of the award. For the 30% 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 63rd percentile resulting in 19.3% pay-out of this part of the award.

The final 20% of the award was subject to two long-term strategic measures, split equally, relating to the revenue of new product lines being between £11 million and £17 million by 2020 as well as an operating profit conversion ratio target of between 17.3% and 21.1% for 2020. The outturn in relation to the new product line revenue target was £10.3 million, resulting in 0% pay-out, whilst the OP conversion ratio target achievement was 9.5% resulting in 0% pay-out of this part of the award.

For the 2017-2019 LTIP award, which covered performance over the three financial years to 2019, the calculation for the part of the LTIP award relating to net fees compared to our peers was delayed as most have a 31 December year end meaning that we could not calculate the result until April 2020. Consequently, vesting of this part of the award, was 74.8%, versus the estimated 75% disclosed in last year's Annual Report.

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. Taking the aforementioned measures to reduce Board salaries and fees, plus the removal of the bonus opportunity, into account, the Committee has determined that there has been a robust link between remuneration and performance. We have not adjusted any performance measures for any incentive plans, and have not deemed it appropriate to use further discretion to adjust the level of remuneration payable.

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

DIRECTORS' REMUNERATION REPORT CONTINUED

Policy implementation for 2021

The Committee decided not to increase the salaries for the CEO and CFO for 2021.

The mix of measures for the annual bonus scheme was updated last year, with the financial element increased from 65% to 80%, and shared strategic and personal objectives reduced to 10% each. This increased focus on financial performance was appropriate as we sought to maximise returns from the significant investments in our people and operations. This focus continues to be relevant for 2021 as we target a significant recovery in our financial performance and 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 2021, we intend that the grant level will be unchanged at 150% of base salary, but will further review this decision in the light of the share price at the time of grant. It is again proposed that the weighting of performance measures should be 50% EPS, 30% TSR and 20% strategic based on a strategic measure which, for 2021 will again be the operating profit conversion ratio. The Board will be meeting soon to refresh the Group's long-term business plan in order to build forward momentum towards the aspirations set out in our Capital Markets Day (CMD). Accordingly, as the EPS and operating profit conversion ratio targets are linked to our business strategy and long-term business planning, the Committee is not yet in a position to set and disclose the targets in this Report. These will be set later this year and there will be full disclosure of the target ranges for each measure in the RNS announcement for the award to the Executive Directors and again in the Directors remuneration report for next year. The Committee retains discretion to ensure that annual bonus payments and vested LTIP awards can be scaled back if the formula-driven outturn does not reflect the broader overall performance of the business.

Shareholder and employee engagement

The Committee values the opinions of its shareholders and other stakeholders and took their views into account in designing the remuneration policy for 2020-2022 and in assessing current policy application.

We have also built upon the rolling programme of engagement with employees around reward, through a variety of mechanisms, utilising virtual meetings technology. 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 and remuneration processes and how our pay policy cascades throughout the Company. In addition, a major initiative was launched in 2020 to develop a strategic reward blueprint, which should deliver a more consistent approach towards career pathways and reward progression throughout the business. The outputs from this work will be considered by the Committee and implemented in 2021.

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 resolution to approve the Annual report on remuneration at the AGM in April 2021.

Denise Collis
Chair of the Remuneration Committee
22 January 2021

REMUNERATION AT A GLANCE

How have we performed?

Bonus – maximum potential 120% of base salary

	Threshold	Maximum	Actual	Achievement %
Group adjusted operating profit (AOP) growth %	Flat	12.0%	-51%	0%
Free cash flow conversion ratio % (FCFCR)	68.2%	72.0%	178%	100%
Group revenue growth %	5.0%	8.5%	-10%	0%
Group net fees growth %	5.0%	8.0%	-9%	0%

As announced on 6 April 2020 the Executive Directors agreed to forego the 2020 annual bonus opportunity, so the actual bonus payable was zero.

* The Committee has reviewed this outturn and has noted that the FCFCR% included several factors which increased the percentage, such as the deferral of the Sales Tax and unwinding of the contractor book. Stripping out the factors that were not linked to management's strong interventions during the year would have led to an underlying FCFCR of 90% instead of 178%.

2018-2020 LTIP award – grant 150% of base salary

Metric	Threshold	Maximum	Actual	Achievement %
EPS (adjusted) (for 50% of the award)	30p	41p	12.5p	0%
TSR (for 30% of the award)	Median	Upper quartile	63rd percentile	19.3%
New product net fees between £11 million and £17 million (for 10% of the award)	£11m	£17m	£10.3m	0%
OP conversion between 17.3% and 21.1% (split equally) (for 10% of the award)	17.3%	21.1%	9.5%	0%
Total award (% of maximum)				19.3%

Summary of total reward

	Reward component	CEO[1]	CFO
2020	**Base pay £'000**	**£451.8**	**£334.9**
	Total remuneration £'000	**£500.2**	**£490.3**
2019	Base pay £'000	£335.5	£350.1
	Total remuneration £'000	£629.1	£1,120.1

1. 2019 CEO figures relate to Mark Dorman, who served for part of the year.

How we will apply the remuneration policy in 2021

Key reward component	Key features
	Base salary and core benefits CEO and CFO salary remains unchanged. Pension contribution: 5% of salary for CEO and £51,237 for CFO (being 14.3% of salary)
Annual bonus – 80% Group financial targets – 20% 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

Policy report

This section of the Directors' remuneration report sets out the Group's remuneration policy for Directors. This was approved by shareholders at the AGM on 20 April 2020 and will apply for three years from this 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.

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
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 amount £51,237 (equivalent to 14% of salary) for the CFO, both to be aligned with the workforce by the end of 2022. For new joiners or internal promotions to Executive Director, a pension contribution in line with the rate applied to the majority of the workforce (currently 4%).	Not applicable

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
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.
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, a nil cost option or Restricted Stock Units ('RSUs'). 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.

REMUNERATION POLICY
CONTINUED

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
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

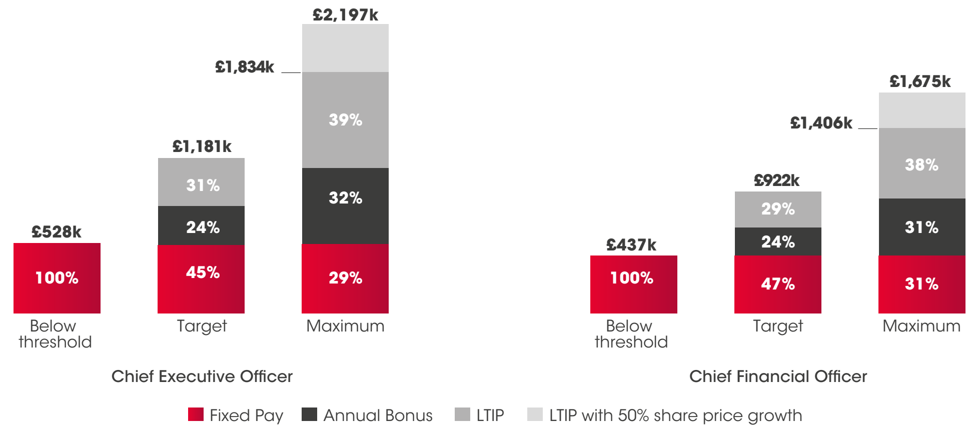
The Committee's policy is to review performance measures for the incentive schemes annually, so that they continually align with strategic objectives. The Committee considers that linking annual bonus and the vesting of LTIP awards to a combination of different measures, capturing share price, financial 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 2021 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 2020, pension contribution of 5% salary for the CEO and £51,237 for the CFO, and the value of benefits received in 2020. 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 to illustrate 50% share price growth.

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, Remuneration Committee Chair, met virtually with employees from across the organisation to explain how executive pay aligns to that of the workforce. Virtual meetings were also held with regional management, employees and HR representatives in lieu of the Board's usual rolling programme of office visits. In addition, a major initiative was launched in 2020 to develop a strategic reward blueprint, which should deliver a more consistent approach towards career pathways and reward progression throughout the business. The outputs from this work will be considered by the Committee and implemented in 2021.

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 2019, with shareholder feedback incorporated into the policy approved at the AGM in April 2020.

REMUNERATION POLICY CONTINUED

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 for executives 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 awards 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 current bonus scheme and any LTIP awards will normally lapse on cessation of employment. Deferred bonus shares are beneficially owned, but must be held for a minimum of two years.

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 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 certain LTIP awards will be satisfied using market purchased shares via the EBT, if appropriate.

Section 1 – Total reward for 2020

1.1 Directors' remuneration for 2020
1.2 Annual bonus for 2020
1.3 LTIP awards vested by reference to performance over the three years to 2020

1.1 Directors' remuneration for 2020 (audited)

Director	Salary and fees £'000	Benefits[1] £'000	Pension £'000	Total fixed pay £'000	Annual bonus £'000	Long Term Incentive Plan[2] £'000	Total variable pay £'000	Other £'000	Total £'000
Mark Dorman	**451.8**	**19.5**	**22.6**	**493.9**	**-**	**-**	**-**	**6.3[1]**	**500.2**
Alex Smith	**334.9**	**27.3**	**47.8**	**410.8**	**-**	**80.3**	**80.3**	**-**	**490.3**
Anne Fahy	**54.1**	**-**	**-**	**54.1**	**-**	**-**		**-**	**54.1**
Denise Collis	**65.8**	**-**	**-**	**65.8**	**-**	**-**		**-**	**65.8**
James Bilefield	**140.0**	**-**	**-**	**140.0**	**-**	**-**		**-**	**140.0**
Barrie Brien	**44.8**	**-**	**-**	**44.8**	**-**	**-**		**-**	**44.8**
Aggregate emoluments	**1,091.4**	**46.8**	**70.4**	**1,209.4**	**-**	**80.3**	**80.3**	**-**	**1,295.2**

2019 Director	Salary and fees £'000	Benefits[1] £'000	Pension £'000	Total fixed pay £'000	Annual bonus £'000	Long Term Incentive Plan[2,3] £'000	Total variable pay £'000	Other £'000	Total £'000
Gary Elden*	151.0	8.0	22.7	181.7	114.9	535.5	650.4		832.1
Mark Dorman*	335.5	14.7	17.8	368.0	224.4	_	224.4	36.7[1]	629.1
Alex Smith	350.1	27.0	51.2	428.3	232.0	459.9	691.9		1,120.2
Justin Hughes*	149.7	9.8	21.9	181.4	108.9	343.4	452.3	47.9[1]	681.6
Anne Fahy	58.0	–	–	58.0	–	–			58.0
Denise Collis	70.5	–	–	70.5	–	–			70.5
James Bilefield	150.0	–	–	150.0	–	–			150.0
Barrie Brien	48.0	–	–	48.0	–	–			48.0
Aggregate emoluments	1,312.8	59.5	113.6	1,485.9	680.2	1,338.8	2,018.9	84.6	3,589.5

* 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 5% of salary for Mark Dorman. 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 2020 £6.3k (2019, £36.7k) was incurred, which related to legal and professional fees. Justin Hughes' relocation costs of £47.9k are in relation to his return to the UK.
2. 2020 LTIP awards relate to those granted in early 2018 and vesting in early 2021, based on performance assessed over 2018 to 2020, also including the value of any related dividends accrued during the vesting period on vested awards. The value has been calculated using a share price of 263.98p, being the average share price over the last quarter of the year. As the market price at grant was 357p, no value has arisen from the share price increasing.
3. 2019 LTIP awards relate to those granted in early 2017 vested in two tranches in February and June 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 included in the table last year was calculated based on the average of the share price over the closing three months of the FY19 financial year, at £3.49. The actual share price on the date of vesting on 5 February was 361p and on 4 June was 260p and these updated share prices have been used to update the LTIP values and the totals in the table above. Of these values, £72.6k, £48.7k and £36.4k is attributable to share price growth for Gary Elden, Alex Smith and Justin Hughes.

Updated disclosure in relation to 2019 annual bonus and LTIP payments

4. In last year's Annual report on remuneration, the 2019 bonus figures in the table of Directors' emoluments, which counted towards the Single Total Figure of remuneration, were incorrect for Mark Dorman, Gary Elden and Justin Hughes. This was due to inconsistency in the disclosure for the pro rating for joiners' and leavers' bonuses. This table contains the corrected 2019 bonus figures, which were the bonus amounts that were actually paid, as follows:

Name	2019 DRR amount for annual bonus[4] £'000	Actual payment and 2019 amount to be restated in 2020 DRR for annual bonus[5] £'000
Mark Dorman	238.2	224.4
Gary Elden	96.4	114.9
Justin Hughes	93.8	108.9

5. Similarly, the 2019 Long Term Incentive Plan figures in the table of Directors' emoluments, and counting towards the Single Total Figure of remuneration, did not include the element of the LTIP that related to the relative Gross Profit performance condition (up to 11.1% of the total award). This was because the performance condition was calculated significantly later than the publication of this report as it was reliant on obtaining performance data for peer companies. Subsequently the vesting level was confirmed as 8.302% out of the 11.1%. The 2019 figure for the value of the vested LTIP awards has now been restated to include the part of the award based on the relative net fees performance condition and is based on the actual share price on vesting, in accordance with the regulations.

1.2 Annual bonus for 2020

No annual bonus awards were made to the CEO and CFO for 2020. Performance of the CEO and CFO against their personal objectives for 2020 is detailed below:

Director	Personal objective	Assessment of performance by Committee	Overall achievement (out of maximum 100%)
Mark Dorman	**Senior Leadership Team:** Evolve organisation to align with delivery of strategic objectives, assess capability against future business needs, taking action as appropriate, and implement an improved succession planning methodology	• Robust succession planning and development of next generation of Senior Executive Team delivered notwithstanding response to COVID-19. • Reshaping of the Senior Leadership Team (SLT) implemented with the introduction of new Senior Managing Director roles and elevation of non-UK sales leadership to the SLT. • New COO onboarded remotely, enabling progress to be made on the Operational and IT strategy, in line with overall strategic priorities, and the effective implementation of Business Continuity Plans supporting the transition to remote working in response to COVID-19.	80%
	Business development Undertake assessment of M&A strategy and build capability to enable delivery of agreed strategy Deliver against set goals relating to Innovation & Sales Development	• M&A assessment activity undertaken and strategy for all key markets developed although subsequently de-prioritised in the wake of new operational priorities related to COVID-19. • Corporate Development structure established and resources for both acquisitions and disposals put in place. • Good progress against key workstream goals relating to market intelligence, digital presence and automation of the sales process.	70%
	Implement global operations 3 Year Plan to drive new Target Operating Model and deliver on Year 1 targets	• Tools and processes introduced to optimise sales activity driving the Contract Order Book. • Core management processes improved for employed contractors in Germany and the US. • Upgraded discipline achieved around the product and service portfolio driving both better operational efficiency/leverage and pricing discipline to improve profit conversion.	70%
	Portfolio Management Achieve clear execution on portfolio management plans including expansion plan for USA	• All markets reviewed and entire portfolio benchmarked against key metrics. • Plans approved to exit, accelerate growth, or remain neutral aligned to strategic plans. • Exit from Australia achieved, with regard to all stakeholders. • Expansion plan for US rolled forward to 2021.	75%

ANNUAL REPORT ON REMUNERATION CONTINUED

Director	Personal objective	Assessment of performance by Committee	Overall achievement (out of maximum 100%)
Alex Smith	**Global finance organisation** Undertake an organisational assessment of the global finance function and develop succession plan to address short and medium-term capability/resource gaps in the new operating model.	• Target global finance operating model agreed • People change/implementation plan in place • Senior Global Finance Team recruitment underway • Global grading/job levelling approach identified and implemented within agreed plan.	50%
	Operational and process improvement Implement operational and process improvements in key finance processes of budget formulation and approval, reforecasting, monthly reporting, cash collections and expense management.	• New monthly re-forecasting to guide business planning and investments implemented for 2021. • New budget process introduced to better align operational priorities and target setting across SThree.	75%
	Investor Relations Drive continued improvement in Investor Relations activities and outcomes, building on progress made in FY19.	• Continued improvement in ongoing communications with investors, including better tying of operational activities, Thought Leadership and scenario planning to disclosures. • Highlighted as best practice by the FRC.	50%
	Risk and control management Shape and implement a significant improvement in the risk and control environment of the Group.	• Established an internal senior management 'crisis' team, combined with continued improvement in overall risk assessment, understanding and mitigation. • Enabled a successful response to the pandemic with crisis management, business continuity and disaster recovery plans in place.	50%

1.3 2018-2020 LTIP award vested by reference to performance over the three years to 2020 (audited)

Earnings Per Share ('EPS') for 50% of the award:

EPS	Pay-out range	Actual performance	Vesting level	Vesting % of total LTIP award
Between 30.0p and 41.0p per share	25% – 100%	12.5p	0%	0%

Total Shareholder Return ('TSR') for 30% 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%	63rd percentile	64.3%	19.3%

Strategic objectives for 20% of the award

Measure	Target	Actual performance	Vesting level	Vesting % of total LTIP award
New product lines	Revenue generation between £11m to £17m from new product lines	£10.3m	0%	0%
OP conversion ratio	Financial OP conversion ratio of between 17.3% and 21.1% in 2020	9.5%	0%	0%

Number of shares granted vs vested vs lapsed based on assessment versus targets for 2018-2020 LTIP award granted in 2018

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]
Alex Smith, CFO	143,521	27,685	115,836	98,836	n/a	2,723	80.2

1. Based on an average share price of 264.0p over the last quarter of the year.

Section 2 – How we will apply our remuneration policy in 2021

2.1 Base salary
2.2 Benefits and pension
2.3 2021 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 review (effective for 2021). The average budgeted salary increase for employees generally is 2.5%.

Executive Director	Base salary 2020 £'000	Increase (from 1 Dec 2020) £'000	Base salary 2021 £'000
Mark Dorman, CEO	483.9	0%	483.9
Alex Smith, CFO	358.8	0%	358.8

The CEO and CFO agreed to a temporary 20% base salary reduction from 1 April to 1 August 2020. Base salary paid in 2020 for the CEO was £451.8k and the CFO was £334.9k.

2.2 Benefits and pension

There are no changes to benefits. The CEO receives a pension contribution of 5% of salary. The CFO receives a capped pension contribution of £51,237, being 14.3% of salary.

The majority of UK employees receive a pension contribution of 4% of salary. As set out in the Chair's Statement, the pension contribution rates will align to the percentage rate applicable to the majority of UK employees by 1 December 2022.

ANNUAL REPORT ON REMUNERATION
CONTINUED

2.3 2021 annual bonus scheme, 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 2021 annual bonus scheme are summarised in the table below. As the target ranges for each metric are considered to be commercially sensitive, they 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.
		- Group net fees	15%	Revenue less cost of sales. A broad indicator of the trading.
		– Free cash flow conversion ratio	10%	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.
Personal objectives	20%		20%	Delivery versus agreed objectives to produce value or efficiency gains.
Total	100%		100%	

2.4 Long Term Incentive Plan awards

LTIP awards to be granted in early 2021 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 2019, 2020 and 2021:

LTIP weighting	EPS	TSR	Strategic
2019-2021	50%	30%	20%
2020-2022	50%	30%	20%
2021-2023	50%	30%	20%

LTIP targets	EPS	TSR	Strategic
2019-2021	Between 35.5p (25% vesting) and 46.0p (100% vesting)	Between median (25% vesting) and UQ (100% vesting)	See notes under section 3.1
2020-2022	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) and 22.0% (100% vesting)
2021-2023	TSR condition to be unchanged EPS and Strategic (adjusted operating profit conversion ratio) to be considered by the Remuneration Committee later this year and disclosed at the time of grant in the RNS Announcement for the Directors' awards and again next year in the Directors' remuneration report		

Notes:
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 2020 grant has remained unchanged for subsequent grants, except for adjustments due to any companies delisting.

2.5 Non-Executive Directors ('NEDs')

NED base fees will remain the same for 2021:

Role	**2020 annual fee £'000**	2021 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 stepped down from the Board as CEO on 18 March 2019 and remained with the Company until 24 April 2019. After ceasing active employment, he was placed on garden leave for the remainder of his contractual notice period.

Justin Hughes stepped down from the Board as COO on 1 July 2019 and was placed on garden leave for the remainder of his contractual notice period.

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[2] £'000	Pension £'000	Total £'000
Gary Elden*	17.2	1.7	–	62.9	5.7	87.5
Justin Hughes**	174.7	11.5	–	53.4	25.6	265.2

* Salary and fees pro rated to 14 December 2019. Pension was overpaid by £3.1k in error and will be deducted from the LTIP on vesting, giving the outcome shown in the table.

** Pro rated due to departure 1 July 2020.

2. 2020 LTIP awards relate to those granted in early 2018 and vesting in early 2021, based on performance assessed over 2018 to 2020, pro rated for time, and also, including the value of any related dividends accrued during the vesting period on vested awards. The value has been calculated using a share price of 263.98p, being the average share price over the last quarter of the year. As the market price at grant 357p, no value is attributable to this award from the share price increasing.

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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 at 30 Nov 2020 (incl. rolled-up dividend shares)
Mark Dorman	19/03/2019	287.00	248,258	712,500	–	19/03/2022	–	248,258
	05/02/2020	375.00	193,562	725,859	–	05/02/2023	–	193,562
Alex Smith	01/02/2011	371.30	104,511	388,049	40,685	01/02/2014	Not exercised	40,685
	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
	05/02/2020	375.00	143,550	538,311	–	05/02/2023	–	143,550

1. The TSR comparator group for the 2019-2021 and 2020-2022 LTIP awards is: 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. For awards in 2018, the comparator group also included Harvey Nash.
2. For the 2018-2020 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/OP conversion ratio between 17.3% and 21.1%. Where sliding scales operate, 25% of the award will vest at threshold.
3. For the 2019-2021 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 employees (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, with the outcome 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 (Level 1 cohort represents Sales consultants) 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 for the 2019-2021 LTIP is 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 identified that improving our operating profit conversion ratio from the level at that time of 16.8% was a critical step to achieving this goal. At that time, we had an element of the annual bonus given over to this measure to ensure near-term, tactical focus.
   In addition, and in order to encourage initiatives of a more strategic, longer-term nature, the Board felt that it was appropriate that this measure was additionally included in the LTIP.

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

4. For awards which have vested but remain unexercised, dividends are accrued as additional shares, as shown in the final column above.
5. For the 2020-2022 LTIP awards, the 50% of the award based on EPS requires the Company to achieve an EPS of between 38.6p (25% pay out) and 46.9p (100% pay out). For the strategic measures these require the adjusted OP conversion ratio to be between 18.5% (25% vesting) & 22.0% (100% vesting).

3.2 Statement of Directors' shareholdings (audited)

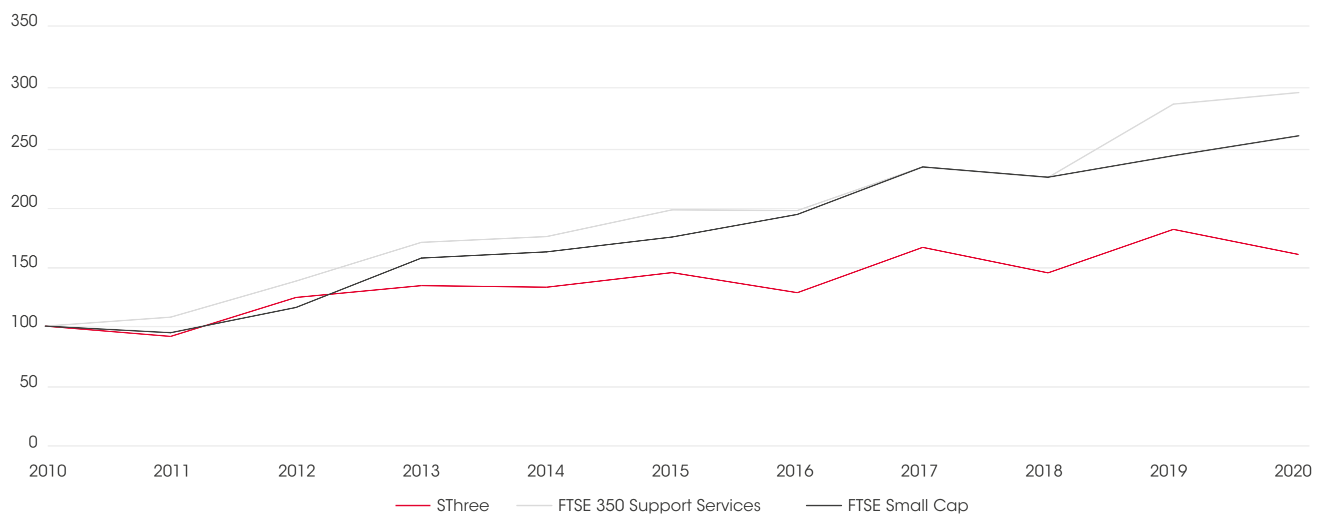
Under the remuneration policy Executive Directors must build and maintain a level of shares equivalent to at least 200% of base salary. Directors' interests in the ordinary share capital of the Company as at the year end, are shown in the table below, including any changes since the start of the year. 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 2019	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 30 November 2020	Indirect interest (ie LTIP/other awards)	Shareholding requirement (% of salary)	Shareholding (% of 2020 salary)
Mark Dorman	4,150	–	–	4,150	441,820	200%	2%
Alex Smith	368,527	129,851	100,000	398,378	519,428	200%	293%
James Bilefield	10,000	–	–	10,000	–	–	–
Anne Fahy	4,000	–	–	4,000	–	–	–
Denise Collis	5,000	–	–	5,000	–	–	–
Barrie Brien	–	–	–	–	–	–	–

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.

Total Shareholder Return



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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.

Year	CEO	CEO total remuneration £'000	Annual bonus (% of maximum)	LTIP awards vesting (% of maximum)
2020	Mark Dorman	500.2	0%	–[1]
2019	Mark Dorman (appointed 18 March 2019)	629.1	55.7%	–[2]
2019	Gary Elden (stepped down 18 March 2019)	832.1	53.2%	63.5%
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%

1. Mark Dorman was not eligible to receive the 2018-2020 LTIP award for which the performance period ended in 2020, the LTIP vested at 19.3% of maximum for participants.
2. Mark Dorman was not eligible to receive the 2017-2019 LTIP award for which the performance period ended in 2019, the LTIP vested at 71.8% of maximum for participants.

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 2019-2020	
Remuneration element	CEO	Average for all employees
Salary and fees	(4.9%)	(1.5%)
Other benefits[1]	(2.5%)	(5.7%)
Annual bonus[2]	(100.0%)	(3.0%)

1. Includes salary supplement of 5% in lieu of pension. Relocation costs have been excluded.
2. As announced on 6 April 2020 the Executive Directors agreed to forego the 2020 annual bonus.

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 2020 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 2020. 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
2020	Option B	23.1	21.1	11.1
2019	Option B	34.1	26.1	16.1
2018	Option B	39.1	24.1	20.1

The three employees used for comparison for 2020 are shown below:

	Employees' salary (£)	Employees' total remuneration (£)	% change 2020 to 2019
Q 25 pay	22,162	22,162	(9.5%)
Q 50 pay	23,562	24,229	(24.3%)
Q 75 pay	47,156	47,156	(6.9%)

The pay ratios have fallen year on year largely because the CEO pay has reduced by more than the reduction in employees' pay over the year. The decrease for employees' total pay was largely due to the reduction in commission and bonus payments for staff in a year where Company profitability decreased.

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 2020 compared to 2019. All figures are taken from the relevant sections of the Annual Report.

Item	2020	2019	Change
Dividends	0	£18.8m	(100%)[1]
Remuneration paid to employees (incl. Directors)	£209.4m	£211,029[2]	(0.8%)

1. As mentioned earlier in this report, in response to the COVID-19 health crisis, the Board took the decision to not pay the 2019 final or the 2020 interim dividends.
2. 2019 numbers restated reflecting Australia being treated as a discontinued operation.

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 £60,577 (2019: £64,971), both excluding VAT. Korn Ferry are members of the Remuneration Consultants Group ('RCG') and comply with the RCG Code of Conduct. Korn Ferry has no other relationship with the Company and the Committee are satisfied that their advice was and is objective and independent.

4.2 Statements of voting at most recent AGMs

At the AGM held in April 2020, 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.

Resolution	For	%	Against	%	Withheld
Directors' remuneration report (2020 AGM)	91,697,144	92.38	7,562,250	7.62	50,109
Directors' remuneration policy (2020 AGM)	94,753,657	95.46	4,505,467	4.54	50,380

* 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
22 January 2021

DIRECTORS' REPORT

The Directors present their Annual Report on the activities of the Company and the Group, together with the financial statements for the year ended 30 November 2020.

The Board confirms that these, taken as a whole, are fair, balanced and understandable and that the narrative sections of the report are consistent with the financial statements and accurately reflect the Group's strategy, performance and financial position. Our Compliance statements and corporate governance report section are presented separately and do not form part of the Directors' report. An overview of the principal risks and uncertainties faced by the Group are also provided in the Strategic report along with the Company's Section 172 statement.

The Strategic report, including the Chief Executive Officer's and other Officers' sections of this Annual Report, provide information relating to the Group's activities, its business, governance, strategy, future developments and the principal risks and uncertainties faced by the business, including analysis using financial and other KPIs where necessary. These sections, together with the Compliance statements, Governance, Audit Committee, Nomination Committee and Directors' remuneration reports, provide an overview of the Group, including environmental and employee matters, and give an indication of future developments in the Group's business, so providing a balanced assessment of the Group's position and prospects, in accordance with the latest reporting requirements. The Group's subsidiary undertakings, including branches outside the UK, are disclosed in the notes to the financial statements

The purpose of this Annual Report is to provide information to the members of the Company, as a body. The Company, its Directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This Annual Report contains certain forward-looking statements with respect to the operations, performance and the financial position of the Company and the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated.

The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and nothing in this Annual Report should be construed as a profit forecast.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company and the Group, including those that would threaten the business model, future performance, solvency or liquidity, and explained how they are being managed or mitigated (see analysis of key risks, mitigation and impact on strategy within the Strategic report). Information on the Company, including legal form, domicile and registered office address is included in note 1 to the financial statements.

Results, dividends, going concern and post reporting date events

Information in respect of the Group's results, dividends and other key financial information is contained within the Strategic report and other Officers' sections of this Annual Report. A going concern and viability statement are included within the Compliance statements section. No significant events have occurred since the year end.

Directors and their interests

The Directors of the Company, including their biographies, are shown within 'Our Board' section of this Annual Report, with further details of Board Committee membership being set out in the 'Board and Committee structure' section.

All Directors served throughout the financial year, except as disclosed, and in accordance with the UK Corporate Governance Code, will retire at the 2021 AGM and submit themselves for election or re-election, as necessary, as set out in the Notice of Meeting.

Other than employment contracts, none of the Directors had a material interest in any contract with the Company or its subsidiary undertakings. Key terms of the Directors' service contracts and interests in shares and options are disclosed in the Directors' remuneration report.

Any related party interests applicable to the Directors are shown in the notes to the financial statements.

Essential contractors and implications following a change of control or takeover

The Group has business relationships with a number of clients and contractors but is not reliant on any single one. There are no significant agreements, which the Company is party to, that take effect, alter or terminate upon a change of control of the Company following a takeover offer, with the exception of the Citibank and HSBC Revolving Credit Facility agreements.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Group's share plans and tracker share arrangements may cause options, awards or tracker shares to vest on a takeover.

Share capital and share rights

Details of the share capital of the Company, together with movements during the year, are shown in the notes to the financial statements. The rights and obligations attached to the Company's ordinary shares are contained in the Articles.

DIRECTORS' REPORT CONTINUED

Ordinary shares allow holders to receive dividends and to vote at general meetings of the Company. They also have the right to a return of capital on a winding-up.

There are no restrictions on the size of holding or the transfer of shares, which are both governed by the general provisions of the Company's Articles and legislation. Under the Articles, the Directors have the power to suspend voting rights and the right to receive dividends in respect of ordinary shares, as well as to refuse to register a transfer in circumstances where the holder of those shares fails to comply with a notice issued under Section 793 of the Companies Act 2006. The Directors also have the power to refuse to register any transfer of certificated shares that does not satisfy the conditions set out in the Articles.

The Company is not aware of any agreements between shareholders that might result in the restriction of transfer of voting rights in relation to the shares held by such shareholders.

Authority to issue or make purchases of own shares including as treasury shares and dilution

The Company is, until the date of the forthcoming AGM, generally and unconditionally authorised to issue and buy back a proportion of its own ordinary shares.

The Company's policy is to comply with investor guidelines on dilution limits for its share plans by using a mixture of market purchased and new issue shares.

Some 651,068 shares were purchased in the market during the year at a cost of £2.0 million. Purchases may be made for cancellation, to be held as treasury shares, or for the Employee Benefit Trust ('EBT'). The Directors will seek to renew the authority to purchase up to 10% of the Company's issued share capital at the next AGM.

Directors' indemnities, Directors' and Officers' insurance and conflicts of interest

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association ('Articles'), and the Company has maintained throughout the year Directors' and Officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force. The Board also confirms that there are appropriate procedures in place to ensure that its powers to authorise the Directors' conflicts of interest are operated effectively.

Listing Rules ('LR') requirement	Confirmation
A statement of interest capitalised by the Group during the period and an indication of the amount and treatment of any related tax relief.	Not applicable
Any information required by LR 9.2.18R (publication of unaudited financial information) regarding information in Class 1 circular or prospectus or a profit forecast and estimate.	Not applicable
Details of any long-term incentive schemes as required by LR 9.4.3R regarding information about the recruitment or retention of a Director.	See Directors' remuneration report
Details of the waiver of emoluments by a Director, both current and future.	Not applicable
Details of the allotment of equity securities to equity shareholders otherwise than in proportion to their holdings and which had not been specifically authorised by the shareholders. This information must also be given for any major unlisted subsidiary.	Not applicable
Where the Company is a listed subsidiary, details of any participation by its parent in any share placing during the period.	Not applicable
Details of any contract of significance between the Company or one of its subsidiaries and a Director or a controlling shareholder.	Not applicable
Details of contracts for the provision of services to the Company or one of its subsidiaries by a controlling shareholder during the period under review.	Not applicable
Details of any arrangements under which shareholders have waived or agreed to waive dividends.	Not applicable
A statement of the independence provisions and compliance, or not, where there is a controlling shareholder.	Not applicable

Related party transactions ('RPT')

Details of any RPT undertaken during the year are shown in the notes to the financial statements.

Financial instruments and research and development

Information and policy in respect of financial instruments and financial risk management is set out in the notes to the financial statements, together with information on price, credit and liquidity risks. The only expenditure incurred in the area of research and development relates to software and system development, which is shown in the notes to the financial statements.

Substantial shareholdings

As at the date of this report, the Group has been notified, in accordance with the Companies Act, of the significant interests in the ordinary share capital of the Company, shown below.

No Director held over 3% of the Company's share capital.

Name of shareholder	Number of shares	Percentage shareholding
J O Hambro Capital Management Limited	13,265,368	9.98%
FIL Limited (Fidelity)	7,442,318	5.60%
Legal & General Investment Management Limited	7,030,279	5.48%
HBOS plc	6,983,314	5.209%
Harris Associates L.P.	6,575,593	5.17%
AXA	6,291,253	5.12%
JP Morgan Chase	7,021,061	5.07%
FMR LLC	6,266,905	4.99%
F & C Management	6,104,400	4.82%
Allianz Global Investors GmbH	6,356,808	4.79%
Standard Life Investments Limited	5,845,830	4.775%
BlackRock, Inc.	6,325,195	4.42%
Franklin Templeton Institutional, LLC	5,722,371	4.37%

Corporate and social responsibility, including diversity, human rights and environmental matters

The Board pays due regard to environmental, health and safety, and employment responsibilities and devotes appropriate resources to monitoring compliance with, and improving, standards. The CEO has responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

Further information on diversity, human rights and environmental matters, including carbon dioxide emissions data, is contained in the 'Strategy in Action' and 'Responsible Business' sections of this Annual Report, whilst information on employee share plans and share ownership is contained in the Directors' remuneration report and the notes to the financial statements.

Health, safety and equal opportunities

The Group is committed to providing for the health, safety and welfare of all current and potential employees. Every effort is made to ensure that country health and safety legislation, regulations or similar codes of practice are complied with.

The Group is also committed to achieving equal opportunities and complying with anti-discrimination legislation and employees are encouraged to train and develop their careers. Group policy is to offer the opportunity to benefit from fair employment, without regard to gender, sexual orientation, marital status, race, religion or belief, age or disability, and full and fair consideration is given to the employment of disabled persons for all suitable jobs.

In the event of any employee becoming disabled, every effort is made to ensure that employment continues within the existing or a similar role, and it is the Group's policy to support disabled employees in all aspects of their training, development and promotion where it benefits both the employee and the Group.

Employee involvement

The Group systematically provides employees with information on matters of concern to them, consulting where appropriate by surveys or other means, so that views can be taken into account when making decisions likely to affect their interests. Employee involvement is encouraged, as is achieving a common awareness, on the part of all employees of the financial, economic or other factors affecting the Group. This plays a major role in ensuring shared success. The Group encourages this involvement predominantly by communicating via the Group's intranet articles or email updates, training and by participation in the Group's employee share plans to align interests.

Community

The Group is committed to providing support to the community and society through a number of charitable activities and donations, although no donations for political purposes of any kind were made during the year.

Annual General Meeting ('AGM')

The AGM of the Company will be held on 22 April 2021, at 75 King William Street, London, EC4N 7BE. A separate Notice details all business to be transacted.

Modern Slavery Act 2015: slavery and human trafficking statement

Organisation's structure

As an international STEM specialist recruitment group, we are committed to combating slavery and human trafficking. The Group strives to ensure that appropriate supplier checks based around governance and financial standing are always undertaken, and considers these adequate to protect against slavery and human trafficking within the Group's supply chain. This helps to ensure, as far as possible, that no element of the supply chain contrives human rights issues. As such, we believe that there are no such issues known to be impacting the Group's business, based on both global and localised legislation and the Directors do not consider there to be a risk of slavery or human trafficking taking place within its supplier base.

Our supply chains

Our supply chains include management companies, job boards, property, media, IT equipment, stationery and print suppliers, whilst our clients include international STEM businesses.

Our policies on slavery and human trafficking

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business, whilst also acting ethically and with integrity in all our business relationships. To do this we have implemented and enforce a number of effective systems and controls to ensure slavery and human trafficking are not taking place anywhere in our supply chains.

Due diligence processes for slavery and human trafficking

As part of our controls to identify and mitigate risks, we have in place processes and procedures to:

- identify and assess potential risk areas in our supply chains;
- mitigate risks, including slavery and human trafficking occurring in our supply chains;
- continually monitor risk areas in our supply chains; and
- protect whistleblowers, via a confidential and independent reporting process.

This statement is made pursuant to Section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for 2020. The Company's Modern Slavery Act statement can be found on our website, www.sthree.com.

Championing human rights

Our Equal Opportunities Policy sets out clear expectations of how to conduct business in an ethical and transparent way, without compromising integrity and professionalism, and respecting the rights and dignity of all people.

Our focus is on ethical recruitment and working conditions at our sites, security, and community health and livelihoods.

Given that we also expect our business partners to respect these workplace values, our Code of Conduct promotes:

- ethical handling of actual or apparent conflicts of interest;
- compliance with applicable governmental laws, rules and regulations;
- complete, accurate, fair and balanced disclosure in reporting;
- prompt internal reporting of violations.

Furthermore, ensuring candidates are placed within a fair and ethical workplace is a fundamental pillar in the recruitment process. We have a responsibility to all candidates we place to ensure that they are not subjected to bribery, corruption, exploitation, forced labour or modern slavery at the companies they join. Implementation of this is ensured through extensive training and the continuous education of our people. Employees, contractors or other third parties are required to immediately report any instances of unethical behaviour or suspicion of malpractice to a line manager or a member of the Group HR Team. Any breaches in human rights are reported to our CPO and relevant authorities.

In 2020, the Directors assessed the risk of modern slavery in our key areas of operation. We also made appropriate supplier checks around governance and financial standing and determined that the risk of slavery or human trafficking continues to be low within our supplier base. We have processes in place to:

- identify and assess potential risk areas;
- mitigate risks occurring in our supply chains;
- continually monitor risk;
- protect whistleblowers, via a confidential and independent reporting process.

All risks in this area are reported to our Chief People Officer and where required to the relevant authorities.

Independent auditors

A resolution will be put to the forthcoming AGM proposing that PricewaterhouseCoopers LLP be re-appointed as auditors for the ensuing year, having indicated their willingness to continue in office. A formal audit tender was last completed in early 2017. Audit fees and non-audit services are disclosed in the Audit Committee report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and the international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in 'Our Board' section of this Annual Report confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company; and
- the Directors' report, together with the Strategic report, Chair and other Officers' section of this Annual Report, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By order of the Board

Steve Hornbuckle
Group Company Secretary
22 January 2021

Registered office:
1st Floor
75 King William Street
London
EC4N 7BE

STHREE PLC'S SECR COMPLIANT DIRECTORS' STATEMENT

At SThree we recognise the importance of ensuring long-term sustainability through concerted and transparent climate and environmental action. Our policy is to go beyond compliance to proactively address our environmental impacts whilst partnering with clients in the renewable energy sector to address some of the biggest climate challenges facing society.

TCFD statement

We welcome the development of the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations. The TCFD is currently a voluntary framework, and we will align our reporting with the requirements of the TCFD by the end of 2021. In the coming year we will:

- Undertake climate-related scenario analysis to develop our understanding of the material climate-related risks and opportunities we face and their associated financial impacts;
- Develop our management response to the scenario analysis findings, and
- Disclose our findings and management response in line with the TCFD guidelines in our 2021 Annual Report and Accounts

We will continue to develop our response to the TCFD recommendations around governance, strategy, risk management, and metrics and targets. Our TCFD Index summarises the location of our existing TCFD disclosures.

SECR

Key recommendations	Summary	Disclosure	Reference
Governance Describe the Board's oversight of climate-related risks and opportunities.	The Board are responsible for setting the direction of SThree's business strategy with respect to ESG matters, including climate change, setting climate-related targets and assessing and managing climate-related risks and opportunities.	Board and Committee structure Directors' report	Pages 92-93 Pages 130-136
Describe management's role in assessing and managing climate-related risks and opportunities.	The CEO who sits on the Board, has overall responsibility for ESG matters, including climate-related issues and is responsible for reporting to shareholders and to the Board. To support the CEO in this role, the Board has appointed a Group ESG Committee, with attendees including Executives, senior management, Non-Executives, as well as key influencers and external advisors. Regular environmental information such as changes in legislation, project ideas for emissions reduction activities, and performance monitoring of annual emissions are reviewed and discussed by the ESG Committee four times per year.	See our 2020 CDP response (C1.1)	Our website at www.sthree.com/en/investors/financial-results/
Strategy Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning. Describe the potential impact of different scenarios, including a 2°C scenario, on the organisation's businesses, strategy and financial planning.	We continue to mature our climate-related risk and opportunity analysis. At present we analyse climate-related risk as short-term (0-3 years), medium (3-5 years) and long-term (5-8 years). At present the main risks identified include; • Emerging regulation and possible financial penalties for non-compliance (short-term risk). In order to mitigate this risk we have contracted a third party climate specialist who ensures SThree is aware of emerging regulation and we strive to be ahead of compliance. • Failure to act in regard to having a progressive sustainability strategy could result in SThree not fulfilling growing sustainable vendor requirements (medium-term risk). To manage this risk we have introduced ambitious emission targets (see Metrics and targets). • Growing costs related to energy and climate control requirements within our property portfolio (medium-term risk). In order to reduce this risk we continually identify and implement energy saving opportunities. In terms of climate-related opportunities, there is a growing need for the right talent to support the innovations required to transition to a low-carbon economy and we continue to grow the role we play in sourcing and nurturing this talent. Climate-related analysis is an area of continuous development. Information on how we have analysed risk to date can be found in our 2020 CDP response however, in 2021 we have committed to undertake thorough climate-related analysis within various scenarios to improve our current climate-related risk and opportunity management.	See our 2020 CDP response (C2.3a)	Our website at www.sthree.com/en/investors/financial-results/

STHREE PLC'S SECR COMPLIANT DIRECTORS' STATEMENT CONTINUED

Key recommendations	Summary	Disclosure	Reference
Risks and opportunities Describe the organisation's processes for identifying and assessing climate-related risks.	Risks are prioritised by way of the Group's ERM processes, with the size and materiality of each risk assessed and compared using their likelihood and potential financial impact. We use quantifiable indicators to measure financial impacts, including operating profits and operating costs. A 'substantive financial impact' is defined as one that: • Leads to 5% reduction in operating profits • Leads to a 5% increase in operating costs • Impacts five or more offices A 'substantive strategic impact' is defined as any risks that reduce the ability of the Group to meet its short, medium and long-term objectives. SThree works closely with a third-party sustainability consultancy to stay abreast of climate-related issues, risks and opportunities. Regular environmental information such as changes in legislation are reviewed and discussed by the Board-appointed ESG Committee four times per year. The Committee is responsible for relaying relevant information to the Board in order to make decisions and stay up to date with material issues for the business. The Group Risk Committee also considers climate-related risks as advised by the ESG Committee, and all risks are managed within our existing risk management framework.	Risks See our 2020 CDP response (C2.1, 2.2)	Pages 64 to 75 Our website at www.sthree.com/en/investors/financial-results/
Describe the organisation's processes for managing climate-related risks.			
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.			
Metrics and targets Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Disclosure of scope 1, scope 2 and scope 3 emissions are disclosed within our Annual Report, including a summary of sustainability actions taken in the reporting period. Emissions are calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organisations. Our emissions performance for the previous reporting period is also included in our Annual Report for comparison. We have committed to several targets regarding our society that reflect the importance we put on being a purpose-driven business: • Reduce our absolute CO_2e emissions by 20% by 2024, against a 2019 base year. • Offset our full global carbon footprint to achieve carbon neutrality.	SECR compliant Directors' statement See our 2020 CDP response (C4.1, C6.1, 6.3, 6.5)	Pages 138 to 142 Our website at www.sthree.com/en/investors/financial-results/
Disclose Scope 1, Scope 2, and Scope 3 GHG emissions, and the related risks.			
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.			

CDP performance

We remain committed to disclosing to investors the risks we face from climate change and have responded to CDP for the sixth consecutive year. In 2020 we maintained our B score, consolidating our leadership position amongst international staffing companies.

2020 performance

In 2019 SThree committed to reducing absolute greenhouse gas ('GHG') emissions by 20% by 2024 relative to 2019, aligning our business with climate science. Due to the exceptional circumstances of the COVID-19 pandemic, business activity within both our direct operations and our value chain changed significantly in 2020 and led to a 56% reduction in annual emissions relative to 2019.

Whilst we saw reductions in emissions across all resources and geographies, the reductions seen in business travel were most significant (-64% relative to 2019) and account for 48% of the total year-on-year variance. We are committed to minimising the need for unnecessary business travel and will continue to build on our successful 2019 campaign to raise awareness of the environmental impacts of such travel.

We have maintained carbon neutral status in 2020 by continuing to offset global emissions with ClimateCare. Since 2012 we have offset 33,443 tonnes of carbon.

Energy and carbon action

In 2020 we undertook the following emissions and energy reduction initiatives:

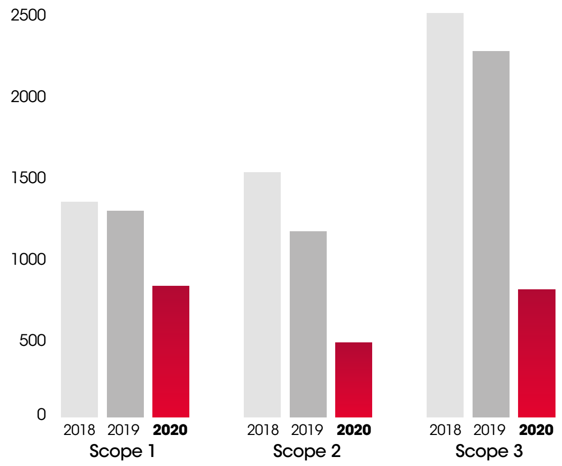
- We continued our renewable energy transition, with the carbon intensity of our electricity consumption falling from 0.33 kg CO_2e/kWh in 2019 to 0.30 kg CO_2e/kWh this year.
- As a result of the transition to homeworking, we accelerated plans to deploy more energy efficient technologies and distributed over 2,700 laptops globally.
- Although business travel has been restricted to urgent or essential trips only since March 2020, we have implemented a new travel policy for colleagues aimed at promoting positive environmental behaviours.

2020 results

We continue to work with Avieco (formerly Carbon Smart) to meet and exceed the energy and GHG emissions reporting requirements of The Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

SThree uses the market-based method for calculating scope 2 emissions to account for our efforts in generating and purchasing low-carbon energy. The location-based method is provided for disclosure only and all emissions intensities shown are calculated using the scope 2 market-based method.

GHG emissions 2018 to 2020



SECR achievements in 2020

-56%
reduction in annual emissions relative to 2019

33,433
tonnes of carbon offset since 2012

0.30kg CO_2e/kWh
carbon intensity of our electricity consumption falling from 0.33kg CO_2e/kWh in 2019

STHREE PLC'S SECR COMPLIANT DIRECTORS' STATEMENT
CONTINUED

Table 1 - Energy and carbon disclosures for 2020[1]

Using a financial control approach, calculated GHG emissions[2] arising from business activities in the reporting year 1 December 2019 to 30 November 2020 are as follows:

	2019		2020		
Emissions Source (tCO_2e)	**UK and offshore**	**Global (excluding UK and offshore)**	**UK and offshore**	**Global (excluding UK and offshore)**	**% change in total emissions** (vs previous year)
Scope 1 Natural gas	130	2	**48**	**0**	-64%
Leased transport	43	1,095	**13**	**745**	-33%
Scope 2 Purchased electricity (market/location based)	84/212	1045 /1181	**44/69**	**394/441**	-61%/-63%
Other fuels[3]	0	13	**0**	**21**	61%
Scope 3 Water	7	34	**3**	**15**	-55%
Business travel[4]	517	1,454	**181**	**526**	-64%
Paper	33	69	**1**	**7**	-92%
Waste	20	43	**4**	**22**	-59%
Electricity T&D	16	59	**6**	**21**	-65%
Total tonnes of CO_2e (market based)	850	3,814	**300**	**1,751**	-56%
Total tonnes of CO_2e (location based)	978	3,950	**325**	**1,798**	-57%
Number of employees	786	2,323	**639**	**1,969**	-16%
Tonnes of CO_2e per employee	1.08	1.64	**0.47**	**0.89**	-48%
Total energy consumption used to calculate emissions (kWh)[5]	1,948,861	7,428,096	**702,440**	**4,607,879**	-43%

1. This work is partially based on the country-specific CO_2 emission factors developed by the International Energy Agency, © OECD/IEA 2020 but the resulting work has been prepared by SThree plc and does not necessarily reflect the views of the International Energy Agency.
2. The methodology used to calculate SThree's GHG emissions is in accordance with the requirements of the World Resources Institute Greenhouse Gas Protocol (revised version); 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (Defra, March 2019), and ISO 14064 – part 1.
3. Emissions from 'Other fuels' include purchased heat and steam and have increased since 2019 due to expanded data availability. No restatements have been undertaken for previous years as it would be deemed to be 'immaterial' (a movement of less than 5% in the total reported emissions).
4. UK and offshore business travel includes emissions and energy consumption for flights and car hire associated with SThree's Ireland office as this data is aggregated across SThree's UK and Ireland offices.
5. Total energy consumption includes energy consumed for heating (natural gas, district heating), power (electricity) and transport (Company leased vehicles, expensed mileage claims) and has been restated for 2019 due to a calculating error relating to SThree's energy consumption from leased and hired vehicles.