Who will build a better future?
Our purpose:
‘Bringing skilled people together to build the future’

Our purpose is the foundation of everything we do as a business and is why we exist. As market trends shift and STEM skills become ever more critical, we’re helping build communities of talent, future-proofing people’s careers while providing our clients with their most valuable asset.

In 2020, we had over 9,500 contractors and placed nearly 14,000 candidates across four sectors – Life Sciences, Technology, Engineering and Banking & Finance.

See Market overview on pages 24 to 27

2020 PERFORMANCE HIGHLIGHTS

During this extraordinary year we saw the benefits of our resilient business model and strategy, which are at the centre of two secular, long-term trends – growing demand for STEM skills and flexible working. This has helped us outperform our peers and shape the results we are reporting for 2020.

While our business was not immune to the economic impact of the COVID-19 health crisis, it was well prepared to embrace the challenging times and adjust its operations to the changing demands of our customers across all markets.

£1.2bn
Revenue
(2019: £1.3bn)

£31m
Adjusted operating profit1
(2019: £60m)

£50m
Net cash
(2019: £11m)

£14.2p
Basic earnings per share
(2019: 31.8p)

£309m
Net fees
(2019: £338m)

£32m
Reported operating profit
(2019: £58m)

£17.7p
Adjusted basic earnings
per share2
(2019: 33.2p)

£309m
Net cash
(2019: £338m)

£32m
Reported operating profit
(2019: £58m)

£14.2p
Basic earnings per share
(2019: 31.8p)

£50m
Net cash
(2019: £11m)

1. For details see Alternative performance measures note, page 204.
STEM has the answers to humanity’s big questions

STEM skills are at the forefront of the Fourth Industrial Revolution. They underpin the increasingly technical, interconnected and fast-paced way of life we’re living. They’re central to our ability to solve the problems we face and to harness the power of technology.

“...We’ve placed tens of thousands of STEM-skilled people in roles that are transforming the world. From driving the growth of clean energy to fighting a global health crisis, these candidates work to address today’s biggest and most complex issues. They’re revolutionising every sector imaginable and shaping the future for good.”

Mark Dorman
Chief Executive Officer

Read more about STEM on pages 6 to 11.
‘Bringing skilled people together’
to protect our planet

For the past year, the Life Sciences sector has been a focal point in the world’s COVID-19 response. We’re honoured to work alongside truly inspiring people who use their skills to make a difference – by creating connections between people and businesses, we’re enabling organisations within Life Sciences to change the world.

Our role is to help businesses find the talent they need to support vital projects in order to drive truly life-saving solutions.

For years we’ve been a trusted partner to Thermo Fisher Scientific, a global life sciences company specialising in pharma, IVD, and medical devices.

We’re used to working with the UK diagnostics team to help them find professionals within the medical devices, regulatory, quality, and validation space. When 2020 arrived and the COVID-19 health crisis hit, Thermo Fisher Scientific were tasked with helping to solve the world’s biggest problem with the production of diagnostic testing kits. As a trusted long-term partner, we worked with them to help them achieve their goals.

Since then, we’ve connected Thermo Fisher Scientific with 37 medical device professionals across validation, quality, and regulatory roles. By helping the company to find the right regulatory talent their market access function was improved allowing Thermo Fisher Scientific to flourish. They were able to take their product to market on a global scale and, ultimately, save lives around the world.

By ‘bringing skilled people together’, we help clients like Thermo Fisher Scientific build a stronger, better, and safer future.

The service SThree has provided has been first class. The understanding of our business, your expanding knowledge of working in a regulated environment, selection of candidates, and ongoing relationship management and maintenance has really helped Regulatory Affairs to achieve the business objectives in financial year 2020.

I would happily recommend SThree on the basis of this and can only thank the team for their support over the past 12 months, we could not have done it without them.”

Johanne Hamill
Senior RA Manager,
Thermo Fisher Scientific
TECHNOLOGY

Discovering new ways to bring people together

Over the past year, our purpose of ‘bringing skilled people together’ has felt more important than ever before. But due to the challenging circumstances of 2020, we have had to find more creative ways to make this happen.

Remote and flexible working models have become more common over the past few years. But despite this, when the health crisis hit, very few businesses had the digital infrastructure to reimagine their entire workforce in a virtual context.

Our specialist IT teams have been supporting our clients across the globe assisting in this area – helping leaders to build new project teams and find the talent they need to keep their businesses thriving through an unprecedented time.

Building virtual communities and supporting higher education institutions

Ordinarily, summer break is a time for colleges to start preparing for the year ahead. Yet the COVID-19 health crisis created new challenges for Teachers College, Columbia University. They needed a digital approach that would help maintain a world class onboarding experience for their incoming students.

By using our flexible staffing model and combining this with our Salesforce Higher Education experience, we were able to find a solution that supported the needs of the college.

We engaged with Selina Suarez, CEO at Pep Up Tech – an initiative focused on offering people tech career opportunities in Salesforce. Selina was brought in to lead as the Salesforce architect for the project, working alongside graduates and our team, to manage the entire implementation.

This was an incredible challenge – finding the specialist talent to carry out the Salesforce solution within such a short timeframe was going to be tough. But thanks to our market knowledge, industry connections, and innovative approach, we were able to keep the student experience at Teachers College within Columbia University alive and thriving.

And this is just the beginning. We’re continuing to work alongside this institution to help them maximise the power of tech to provide better experiences that help to build communities.

I was impressed with the speed by which the team was put together. We had a very aggressive project schedule to deliver a virtual orientation solution for new students. The solution delivered has exceeded our expectations and was delivered on time. I highly recommend them.”

John Lombardi
Deputy CIO, University of Colombia, Teachers College
E N G I N E E R I N G

Finding the heroes the world needs

Stories relating to COVID-19 have dominated news headlines over the past year. As the world geared up to battle an unprecedented global health crisis, this became a primary focus point. But the world is still facing other widespread challenges, such as the global environmental crisis.

We’re proud to have been recognised for five years of action against climate change – with half a decade of B ratings from the Carbon Disclosure Project – and of the work we do to bring together skilled people to drastically reduce carbon emissions and help mitigate climate change. Whether that means supporting projects focused on renewable energy sources or helping to find talent that produces technology to help track wildfires, addressing climate change is a shared responsibility.

Arevon Energy

For over 25 years now, we’ve been working with a multitude of clients in the energy industry, helping to connect them with skilled engineering talent across a breadth of industries. And over the past few years, our business in the renewable energy space has drastically increased.

In the past, we’ve supported US-based organisation, Arevon Energy, on a number of placements to find specialist professionals in the world’s largest staffing market. But in the past 12 months, we were able to build a trusted relationship with them at a time when they really needed us – helping them to source a varied range of skilled professionals.

Arevon Energy handle projects that offer a variety of renewable energy solutions across wind and solar, among others. As an organisation with aggressive growth plans, it’s vital for this business to find professionals who are the perfect fit. That’s where we came in.

Purpose is at the heart of Arevon Energy, and they truly care about issues relating to climate change. They’ve invested in building a better world and this runs through their recruitment requirement. That’s why they need us to find the right people who share their values, not just people who can simply do the job.

Thanks to the work of our team, we were able to fully understand what they were looking for. Through our expert recruitment techniques, we matched skills and passion – finding people who actively campaign for renewable energy legislation.

Arevon Energy is also fully committed to building a more diverse and inclusive workforce within the renewable energy space. And we’ve helped them in this area too, by connecting them to a diverse range of candidates and helping to bring more women into engineering roles.

Bringing people who care about our environment together is embedded in our DNA. And bringing diverse pools of skilled people together is what we do.
Big data empowering businesses

Big data solutions are driving changes for organisations on a global scale. But with so many complex nuances, it’s important for businesses to have the right talent in place to manage data effectively.

Specialist professionals can enable businesses to maximise, streamline, cleanse, and effectively manage their data. They empower companies with the knowledge to make business-critical decisions. And they allow organisations to provide more personalised solutions for their customers across the globe. Big data is fundamentally changing the way that businesses operate.

Empowering personalised solutions through tech

Over the past year, we’ve started working with Vionlabs, a rapidly-growing Swedish AI-focused media start-up. Vionlabs’ mission is to help broadcasters and platform operators solve complicated challenges by using complex data solutions to connect consumers with more relevant content than ever before.

Through personalisation, they add value to video services and consumers by connecting people more quickly to the content they enjoy – minimising the time spent searching to maximise the time spent watching.

Using a unique approach that applies the latest techniques in AI and Deep Learning, Vionlabs are at the forefront of this technological revolution.

But to make this happen, the highest calibre of talent is needed – and professionals with these niche skillsets are in high demand, yet short supply. Thanks to our knowledge of niche tech markets within the data space, we were able to connect Vionlabs with a wealth of talent in machine learning and tech data engineering.

Over the past 12 months, we brought a diverse spectrum of skilled people together to help Vionlabs build their future. The candidates we found came from Sweden, India, Egypt, and the USA – truly maximising our global network of tech talent. And we also connected the organisation with an even split of men and women for their project, ultimately helping to build a more diverse future of tech.

The team at SThree will be supporting Vionlabs as they embark upon highly ambitious growth plans in 2021. As they continue to disrupt the industry with new data-driven ways of working, we’ll be there to help them find the most forward thinking, high-calibre talent to revolutionise their market.
Our purpose and values underpin the way we work and help us to achieve our vision to be the number one STEM talent provider in the best STEM markets.

Last year we simplified our strategy to make our business more resilient and stronger in the long term. The Board is confident that the Group has the right business strategy, leadership, and culture to continue to deliver on its full potential.

Our strategic pillars reflect our focus on enhanced execution and achieving greater scale.

Our purpose

‘Bringing skilled people together to build the future’

Our purpose keeps us aligned with our focus to make a difference in society, local communities and for people whom we place with our clients.

Our culture and operating principles

Our operating principles guide the way we work. Our targets are supported by our core values and operating principles, which when taken collectively, set out a path that we believe is consistent with the significant opportunities ahead of us.

Build trust

We act responsibly and with integrity, and by building strong and trusting relationships with our stakeholders.

Care then act

We create a positive and inclusive work environment where diverse opinions and perspectives are valued.

Be clear then aim high

Through a culture that empowers our people we can best support our customers.

Our strategic pillars

Our position

Leveraging our position at the centre of STEM to deliver sustainable value to our candidates and clients.

Delivering on our purpose

Utilise our unique position of being the only global pure-play STEM talent recruiter, to provide our clients and candidates with insights into the changing nature of work, and with the access to the best specialist skills.

• Continue to invest in sales and marketing - evolve the channels we utilise to deliver value to our candidates and clients.

2020-2024 Group ambition

To reduce our absolute CO₂ emissions by 20%.

To grow productivity¹ per head over the period 1-2%pa

Related content

Strategy in action - pillar 1 on pages 42 to 45

Responsible business on pages 60 to 63

Our platform

Create a world class operational platform through data, technology, and infrastructure.

Delivering on our purpose

Embrace new technologies that are disrupting and transforming the recruitment market, to drive efficiencies and scale across our platform business.

• Build on global operational capabilities to deliver scale and margin expansion.

Our markets

To be a leader in markets we choose to serve.

Delivering on our purpose

Continuous improvement to strategic approach to deliver STEM talent in our chosen geographies.

• Enhance the use of data to drive further performance improvement and unleash new opportunities.

Our people

Find, develop, and retain great people.

Delivering on our purpose

Engagement of our people across the Group, focusing on improved communication and collaboration, diversity and inclusion, health and wellbeing, and shaping our culture.

• Building and bridging critical capability gaps in key markets.

• Being recognised as leaders of diversity and inclusion in the staffing industry.

• Empowering our people through their development.

• Bringing people together to build a sustainable future.

Related content

Strategy in action - pillar 2 on pages 46 to 49

Key performance indicators on page 60

75% Free cash conversion ratio² (2020: 178%)

To grow Group market share of STEM by 50%

75% of 2024 target (2020: 2%)

Maintain L&D spend at 5%

Underpinning the Group’s future success is the active engagement of our people.

Alongside this, we have committed to several targets regarding our people and society that reflect the importance we put on being a people-centric and purpose-driven business. For example, to maintain our Learning & Development (L&D) spend at 5% of operating profit, and to reduce our absolute CO₂ emissions by 20%.

Purpose and values

Our purpose

Our purpose is to create sustainable value for our Company and all stakeholders:

• to reach an operating profit conversion ratio in the range of 21-24%;

• to grow Group market share of STEM by 50%;

• to grow productivity per head over the period by 1% to 2% per annum.

Related content

Key performance indicators on page 41

Strategy in action - pillar 4 on pages 54 to 59

Key performance indicators on page 61

Directors’ report on pages 135 to 136

Directors’ remuneration report on pages 115 to 119

1. Productivity expressed as net fees over average total employees.

2. See Alternative performance measures note, page 207. Note the 2020 result was affected by COVID-19.

3. In 2020, the Group estimated that it had a circa 2% market share of the addressable STEM market in its core countries of the USA, the UK, the Netherlands, Germany and Japan. In 2020, Group revenue was £1.2 billion, 82% of which was attributable to revenue generated in the core countries.
We create value
Through changing people’s lives for the better, something that is core to our strategy and long-term success.

We develop talent
Through the work done by the talent that we develop, and the candidates we recruit and place, we close significant skill gaps in key markets.

We empower growth
Within our markets we contribute to their economic growth through delivering employment opportunities and empowering business growth.

We put people first
Ultimately, we work towards a future that works for all of us by putting people first.

Global footprint

USA
(Focus on Life Sciences and Engineering)
+2%
Net fees growth in constant currency

DACH
(Focus on Technology and Life Sciences)
-3%
Net fees decline in constant currency

EMEA excluding DACH
(Focus on Technology and Engineering)
-16%
Net fees decline in constant currency

APAC
(Focus on Technology and Banking & Finance)
-26%
Net fees decline in constant currency

Our people
Our Group is comprised of over 2,600 people serving our customers across 15 countries. We aim to facilitate a diverse and inclusive work environment cultivating passion and commitment to achieving long-term and sustainable success.

Group net fees in 2020

- USA £77m
- DACH £106m
- EMEA excl. DACH £118m
- APAC £8m

Our Group is comprised of over 2,600 people serving our customers across 15 countries. We aim to facilitate a diverse and inclusive work environment cultivating passion and commitment to achieving long-term and sustainable success.
CHAIR’S STATEMENT

Focusing on our purpose

Never has a year been more different than what we had expected. In November 2019 we set out our purpose, strategy and ambitions at our Capital Markets Day with excitement and confidence for the years ahead. Whilst our first year following this path has seen us, and the wider world, face a myriad of unexpected challenges, we have remained resolute in our focus and determination to deliver on those ambitions. I am pleased to say that we have made significant progress along that path. We have delivered financial performance above previous market expectations and are outperforming our peers on many measures, demonstrating the resilience of our model with its recurring revenue and attractive cash characteristics, alongside our strength of focus and clarity of strategy.

We have seen our purpose of ‘bringing skilled people together to build the future’ brought to life this year more than ever. Our teams worked closely with our clients and candidates to be their partner through the COVID-19 health crisis and gradual emergence of a ‘new normal’, filling key STEM roles at a time of extraordinary upheaval.

Internally, our leadership team brought our people together and showed decisiveness, strength and sensitivity. This year has been tough on all of us, and I would like to take this opportunity to thank the exceptional teams around the world at SThree not only for their hard work, but also for their fortitude and endurance in such challenging times.

The Board has worked hard during the year to act in the long-term interests of all stakeholders, balancing complex and sometimes conflicting interests and priorities. We implemented a number of cost management initiatives which were required during the year, but also were able to maintain necessary investment in the future of the Group, notably in technology and some key appointments to drive operational change, project delivery and agility.

Whilst the health crisis and its economic impacts will eventually pass, we believe that the recent acceleration in the two key long-term, secular trends at the heart of our strategy - STEM and flexible working - will continue to grow in importance around the world as we all look to build a better future. That will require ongoing investment in operational scale, agility and effectiveness, together with ever-closer client and candidate relationships.

The effective use of data will be critical to success in that environment. We have already established a comprehensive market intelligence programme to ensure that we understand what is most important to our clients and candidates, both now and in the future, and we plan to grow our expertise, staying ahead of the curve in the coming years.

Lastly, but importantly, during the year we have deepened our focus on the Group’s impact on the wider world and the communities in which we operate. Whilst Environmental, Social and Corporate Governance (“ESG”) has long been on the agenda at SThree, it is now increasingly woven into everything we do, with particular emphasis on building a green future, developing a fully inclusive workforce and ensuring that we operate our business to the highest standards, overseen by FTSE 250-appropriate corporate governance.

Our opportunity is significant, our strategy is right and the improving sequential trends in our specialist STEM markets are favourable. We remain confident that the Group is primed to deliver for the long-term benefit of all of our stakeholders.

James Bilefield
Chair
22 January 2021
Clear strategy for the future

“Focus on STEM and flexible working delivers effectively in particularly challenging times.”
Mark Dorman
Chief Executive Officer

Our purpose of ‘bringing skilled people together to build the future’ has never been more relevant and we have the right strategy, positioned at the centre of the secular trends of STEM and flexible working, to best capitalise on this growing opportunity in the future.

At our Capital Markets Day in November 2019, we set out a clear strategy and in the first quarter were delivering in line with it. As the global health crisis accelerated, rapid adjustments to our business were made to ensure that we were able to best look after our teams, service our clients and navigate the new economic and working landscape. I am pleased to say that we never lost sight of our purpose or our strategy, and these principles continue to guide us.

This unrelenting focus on our strategy has delivered a financial performance ahead of where we reset our expectations when COVID-19 first hit. Group net fees in the year were down only 8%*, with Contract net fees showing particular resilience with a 7% decline. We have continued to take market share in the USA, Germany, the Netherlands, and the UK and made progress against several of our 2024 ambitions. In the second half of the year, as our strategic management of the crisis took effect, we saw significant sequential improvement of Group performance with sales activity, contractor retention rates and consultant productivity increasing quarter-on-quarter from Q3.

Despite all the challenges this year, it is evident from our performance that we have the right strategy, are in the right markets and our teams are executing well. While 2020 has not turned out as we had thought it would at our Capital Markets Day in November 2019, what is clear is that we are well positioned for the future and for capturing the growth opportunities ahead. The key strategic ambitions we outlined at the Capital Markets Day, if anything, have been reinforced by our experience and actions over the last year.

Our response to the health crisis

As we saw the impact of the virus starting to take shape across the globe, on 28 February we set up a dedicated COVID-19 crisis team made up of key senior managers from across the business, tasked with monitoring operations and reacting as appropriate. The committee met daily to make sure all possible actions to help mitigate any impact were considered and then taken quickly and effectively, ensuring that the Group kept its people safe, could operate regardless of the conditions and maintain its financial strength. So that we would be in a strong position to continue executing on our growth strategy, we created a framework for the organisation to work with. This involved breaking the crisis down into operational phases, each with its own set of priorities; these phases were Emergency Response, Ongoing Crisis Management and Recovery to the Next Normal.

As the virus moved from mainland China and became a global health crisis, we saw an immediate impact across all our markets. Our Emergency Response was triggered, focused on maintaining the safety of our people, candidates and clients whilst at the same time maintaining the full operational capability of the Group. We were able to quickly and efficiently adjust, as around 98% of our employees began working from home. Despite these changes, our teams went above and beyond to serve our customers and meet their objectives.

The wellbeing and engagement of our team has been an ongoing priority. With over 95% of our colleagues continuing to work remotely, we’ve made sure we are providing them with all the necessary tools to operate effectively. We have supplied support digitally ranging from advice on how to manage remote teams and guidance on remote working, through to full online learning and development programmes. Having the tools to operate effectively doesn’t just mean physically, and in order to protect the wellbeing of our employees we launched our THiVE wellbeing platform in May offering comprehensive support and advice on the areas of identified concern. Under this banner, we’ve also hosted a number of roundtable discussions on working from home where our people shared their tips on how to get by in lockdown. ‘Build trust’ and ‘Care then act’ are two of our three operating principles, and as an organisation, we’ve whole-heartedly embraced these as working hours have become more flexible to adapt to personal commitments.

We have also created dedicated resources on our digital platforms for our candidates, to ensure they are fully supported, with information, articles and guidelines on remote working, as well as information on how to contact us and other tips for getting through the health crisis. Illustrating the success of these programmes, our net promoter score (‘NPS’) from the health crisis. Illustrating the success of these programmes, our net promoter score (‘NPS’) from our clients and candidates has improved by eight points to 52.

I am proud to say that our teams have helped to place many candidates whose STEM talent is being utilised to solve the health crisis. As an example, in DACH1 we were able to place multiple freelancers in key roles with leading pharmaceutical and biotechnological companies, supporting the development of potential COVID-19 vaccine candidates. In the USA we collaborated on a large-scale Clinical Research Associate (‘CRA’) project, quickly deploying over 50 CRAs nationally to help in the fight to treat COVID-19.

We implemented a number of initiatives to ensure the business remained on a strong financial, as well as operational, footing throughout this period. These proved very successful, and I am pleased that following an increase in sales activity levels in Q3, particularly in

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1. DACH represents Austria, Germany and Switzerland.

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CHIEF EXECUTIVE OFFICER’S STATEMENT continued

Contracted closely with the strength of the balance sheet, we were able to repay all furlough support that we had previously claimed from the UK Government. We also repaid the Revolving Credit Facility (‘RCF’) of £500 million which was drawn down at the beginning of the lockdown period but not utilised. We also resumed a modest share buy-back programme to satisfy employee ownership plans, further demonstrating our confidence in the business.

The impact of the health crisis on society has been wide-ranging and has magnified the inequalities that already existed. It has disproportionately impacted younger people, people of colour and women, and this, together with other events in the year, have share a spotlight on diversity. In response, we focused on strengthening and broadening our existing work on the issue, launching a global Diversity & Inclusion (‘D&I’) strategy in April 2020. We created local focus groups, with regional leads and advocates to support progress in our business, and are working with community partners, clients and candidates to build programmes to open up pathways into STEM careers for people from diverse backgrounds. Our ambition is to be recognised as a global D&I leader in the staffing industry.

Underpinning all our decisions is our purpose. This has been important as we have sought to keep our clients, candidates and communities supported, albeit virtually, throughout this unprecedented period.

Leveraging our position at the centre of STEM

We have always had close relationships with our clients and candidates, but the health crisis has in many ways brought us even closer. We are working with our clients to not only source the best talent to help them deal with changing business conditions now, but also providing guidance on what skills they will likely need in both the immediate future and the longer term. The health crisis has undoubtedly broadened minds to flexible working and its ability to decrease the barriers of physical geography, providing access to broader talent pools. This is where being the only global pure-play specialist staffing business focused on STEM really comes into its own as we have access to niche talent across the world that we are now able to offer more widely to global clients.

Alongside this, we believe our position in STEM markets should be a force for good, for clients, candidates, and our STEM experts of the future. We have therefore launched a number of initiatives to nurture interest in our chosen industries. One of these is our #STEMSeries, where we have collaborated with industry experts to run Thought Leadership events addressing topics such as career barriers, diversity in STEM and personal development. We are pleased that over 2,750 people joined us over the series to pursue their professional development. At the same time, we are working with community partners and clients to deliver virtual events specifically for young people from underserved communities, helping them understand pathways into STEM careers.

As well as cultivating future STEM talent, we began work supporting people at risk of unemployment and underemployment in the USA with the launch of our STEM Career Pathways programme there in August. Within the programme candidates volunteer their time to mentor students, developing their own leadership and coaching skills whilst supporting the next generation of diverse tech talent. We will expand this programme into other markets in 2021.

A business set for now and the future

We still face, what is at its core, a health crisis, and while governments and scientists across the globe continue to develop strategies to contain the virus and so long as the resulting economic and other impacts persist, we expect to see significant continued volatility in our markets. However, in line with our approach at the outset of the health crisis we are committed to learn and adapt so we can operate in whatever environment we are presented with. We have shown that we are capable of overcoming the challenges by adapting to the next normal and our teams have demonstrated remarkable resilience during these challenging times and we have shown that we can deliver in whatever environment we are presented with.

As a result of our strategic focus on STEM and flexible working, the current environment and its acceleration of these trends, our proposition is proving to be highly relevant. Whilst the crisis has had a significant impact on the overall recruitment market, demand for STEM roles has been robust. These roles have been crucial in supporting both the global response to the crisis and the widespread adoption of digital transformation accelerated by different restrictions. Alongside this, 2,754 people joined our #STEMSeries events.

Our second secular trend of flexible working has continued to become more prevalent. There has been a seismic shift in working practices prompted by the health crisis and we believe many businesses will now be adapting these for the long term.

Whilst a number of the initiatives we introduced in the period were immediate reactions to the health crisis, we remain focused on building for the future, led by our purpose and strategy. It remains difficult to know what lies ahead and what the future will look like, but it is clear that we are going to see lasting consequences of the current health crisis and the way it has changed the way we work. Given our position at the centre of the two secular trends we are confident that we are well placed to capitalise on this new world of work, and so we are investing in the areas that we are confident will build the infrastructure to support our ambitions, and drive our growth. We are committed to the use of data and insights to drive the business, investing in the right tools and technology, continued learning and development and focusing on the right markets, and will continue to do so to position us for the future.

Our approach to ESG

Our purpose of ‘bringing skilled people together to build the future’ feels even more appropriate today. We source, nurture and place STEM talent with clients who are solving complex world challenges; we connect clients with talent who will contribute solutions to society. Our goal is to truly embed ESG within our business and we have been building out our ESG strategy, identifying three key areas where we can have the most impact and introducing new targets to increase our accountability. We are committed to building a sustainable future and the unprecedented events of this year have strengthened our resolve. A more detailed review of the Group’s ESG strategy is available in the Group’s Annual Report and Accounts 2020.

Outlook

Our initial view, taken in spring 2020, that this health crisis will create sustained and significant volatility in staffing demand, has proven to be correct, and we continue to see uncertainty ahead in several of our markets as restrictions wax and wane across the globe.

Our strategy so far has proven successful and we will continue to drive the Group forward in the coming period towards our long-term ambitions. As we continue to head into the Fourth Industrial Revolution, accelerated by the current health crisis, the secular trends of STEM and flexible working will only become more powerful over the next year. We see the world’s ‘winning’ organisations embracing STEM skills in order to thrive, just as those businesses less well suited to the current environment appreciate that they must adapt to the new world quickly to be able to survive. We are therefore highly focused on first-class strategic execution across the business, ensuring we are best able to capitalise on the opportunity available to us.

Over the coming year we will continue to invest in our people, data, technology, and our go-to-market approach, leveraging the power of our platform to reduce the cost of customer and candidate acquisition. Our ambition is to continue taking market share, working towards our ultimate goal of becoming the number one STEM talent provider in the best STEM markets.

Mark Dorman
Chief Executive Officer
22 January 2021

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See Responsible business on pages 60 to 63

Responsible business

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Mark Dorman
Chief Executive Officer
22 January 2021
We are a purpose-led business with a clear strategy, focused on the two long-term secular trends of STEM and flexible working. We have built a staffing platform that will enable us to scale, increase our margins and deliver long-term profitable growth, whilst making a net positive impact on the world.

We have identified the recurring nature of our revenues, contract lifetime values and shorter job tenures and rapidly growing societal preferences towards remote working arrangements. Additionally, our strategic focus on flexible working will increase towards remote working arrangements.

Flexible working is becoming the future of the workplace. There is a global shift towards increased use of contingent workforces, shorter job tenures and rapidly growing societal preferences towards remote working arrangements.

Capitalising on two major secular growth trends

Long-term growth in the demand for STEM skills as STEM fields are at the forefront of change across the world. SThree deeply understands the richness within each different sector and has expertise in sourcing highly skilled and highly valuable candidates.

Flexible working is becoming the future of the workplace. There is a global shift towards increased use of contingent workforces, shorter job tenures and rapidly growing societal preferences towards remote working arrangements.

Additionally, our strategic focus on flexible working will increase towards remote working arrangements.

Building a world class operational platform

SThree’s growth opportunity is substantial

SThree’s growth opportunity is substantial

We are the only global pure-play STEM specialist; a unique investment proposition.

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Ambitious management team focused on quality execution

As a Group we have been delivering client and candidate solutions for over 30 years.

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As a Group we have been delivering client and candidate solutions for over 30 years.
These times of great disruption and change yield opportunities. In 2020, we re-evaluated operations and practices to ensure that our business enters the post-health crisis era in as efficient and robust shape as possible. While it may still be uncertain what the ‘new business-as-usual’ might look like, we took a range of measures in the interim.

**Finding STEM skills to navigate the pathway to the new normal**

**Market trends**

As businesses reorganised and prepared themselves to operate in the new normal, the status of STEM skills was elevated. Tech talent became critical for businesses to keep moving and come out of the crisis stronger and more resilient. Companies reprioritised IT and change projects to meet the needs of more digitally savvy customers, to drive IT stack modernisation and to build resilience in core mobile technologies.

Life Sciences became the focal point of the global response and in many geographies is expected to yield a sustained demand for, and supply of, talent in healthcare technology.

More broadly, some clients reduced the volume of hires. Engineering was the hardest-hit sector. Most of the demand for project management, construction, and various types of engineer work stopped due to social distancing requirements. Only in certain pockets of the world, most notably in the Netherlands and USA, did engineering jobs remain quite resilient.

The Banking & Finance sector saw a decline in the world, most notably in the Netherlands and USA, did engineering jobs remain quite resilient.

**COVID-19 has put the spotlight on the Life Sciences industry, and this will likely attract more talent in the future.**

*Life Sciences client, Switzerland*

**How we are responding to evolving trends**

We continue to work with our clients to support their needs by focusing on the components of STEM skills and sourcing the best talent to help them deal with changing business conditions. Our candidate communities not only cultivate existing STEM talent, but also prove career pathways to expand our future candidate pools.

We have been meeting a steady increasing demand for IT talent, including IT engineers, cloud architects, software development engineers, and IT system security and data science analysts. To meet the growing demand for diverse IT talent, we launched our STEM Career Pathways project in the USA which provides accredited training and career support to people from underserved communities in the world’s largest staffing market.

Within the Life Sciences sector, with borders being closed, we were actively working and a rising demand for local candidates in what is a fairly limited market but with a significant opportunity for biotechnology to revolutionise the delivery of frontline healthcare.

Within the Engineering sector, we saw an increase in the number of contractors placed in automation and health and safety management, which have become more valued during the health crisis.

**Flexible working preferences**

**Market trends**

The nature of work is changing, demanding more flexibility.

Contract placements remained intact, albeit subdued, as employers needed the right talent to help them remodel operations.

The type of work we saw in demand by employers was for short, high-impact projects with highly skilled contractors who bring specialised knowledge gained from deep industry deployments.

To fill these roles, we saw employers swiftly adapting to the changing nature of employment to attract talent. Flexible working and remote onboarding became key to workforce management and to navigate the fallout from the health crisis. Some used the shift to remote working and have been reorganising work ever since for a distributed workforce to widen their talent pools.

In the long term, transitioning towards flexible working systems is thought to contribute to building a more diverse, more capable, and happier workforce. For example, remote working makes work more accessible for people with disabilities, single parents, or caregivers. As geographic location is no longer a barrier, employers can draw on a much wider talent pool, reach diverse candidates previously not accessible, and create opportunities for more inclusive hiring practices.

**How we are responding to evolving trends**

By focusing on STEM and flexible working, we accelerated our strategy as the health crisis unfolded and affected the way we work together with our clients and candidates.

We refined our service model by offering an end-to-end complete streamlined hiring solution. We focused on managing a successful and integrated recruitment process remotely - we helped our clients with cultural integration and online onboarding. Virtual and remote onboarding of staff has been an oft-repeated request made by our clients, and one which we are well placed to fulfil.

Within SThree, our own people and their skills have been critical to navigate and recover from the crisis. The uncertainty about further lockdowns has prompted us to change and invest in developing our recruitment platforms, upskilling our management in leading remote teams, and launching cultural and behavioural change programmes initiated across the Group. We’ve seen a real focus on trust being key in successfully leading remote teams, which is critical in developing the right leadership behaviours and developing our culture.

**The days of candidates needing to be localised to their employer may be gone for good in several sectors – many are now saying that they see the shift to remote, flexible working becoming entrenched within their industry as a lasting change.**

*Mark Dorman, CEO*

**Delivered through**

**Built on**

**Deliveries**

**Our people**

We continue to improve our strategic approach to deliver STEM talent in our chosen geographies.
Emergent trends in the year

Redesigning the supply chain with a focus on resilience and sustainability

Market trends
The globalised economy faced unprecedented challenges this year, with governments across the world taking marked actions to prevent the spread of the COVID-19 virus. Supply chain disruption, operations abruptly halted, travel bans, and changing customer behaviour threatened business organisations and national economies alike. The responses taken varied markedly by region and sector. After the initial shock of workforce immobilisation, businesses around the world started to react to changing working conditions and business continuity challenges. Businesses were rapidly transforming and reconfiguring their operating models. Their top priority was to work on end-to-end value optimisation to bring resilience, cost efficiencies, and strengthen business continuity. The physical distancing became a fact of life for the long term, requiring the redesign of IT infrastructure, the digitisation of processes, the reconfiguration of customer channels, production lines and processes. Automation and data science became crucial for all, as computer-assisted analysis was accessed to capture rapidly shifting trends.

How we are responding to evolving trends
In line with the global trends and new opportunities observed in 2020, we made critical decisions to protect the long-term resilience of our Group and ensure we have strength to drive our business into the future. We set up our new ways of working, the Group’s strategic direction and guidance, to promote and execute growth and innovation programmes, with an emphasis on driving value for our core propositions.

We have ring-fenced our own digital transformation projects, and allocated more resources to removing manually intensive processes, bypassing legacy IT and simplifying customer journeys. We invested in technology in response to the health crisis, to allow our people to work remotely.

We moved to the proactive assessment of immediate shifts in the supply and demand curve for the components of STEM skills, which helped us organise our work and responses.

We remained agile to the changing demands for the digitisation of recruitment processes. We have been sourcing candidates via digital online boards and social media, adopting customised screening parameters to allow industry and job-specific background checks. We applied state-of-the-art AI solutions to make informed decisions in shortlisting candidates and to find the best quality candidates who are a good fit for our organisation culture.

Delivered through
Investment in IT infrastructure and new ways of working.

Using data to inform

Market trends
Reliable information is the foundation for well thought-out action. Underpinning it all are good analytical tools and agile skills to move the business forward in times of crisis, when businesses are inundated with speculative, inaccurate, or conflicting information.

Global businesses became faster at gathering and analysing data, with a clear focus on reconfiguring strategy and business operations toward value-creating and value-protecting opportunities. The overarching idea is for the right people to make and execute good decisions, based on tracked and measured outcomes.

How we are responding to evolving trends

When SThree we believe that correct management and utilisation of data is core to driving efficiencies and supporting strategic decision-making. As we navigated through the health crisis, we improved the way we collect, use and share knowledge across SThree.

Our new data-driven planning and client-risk management tools created greater visibility and capability across the entire value chain. Doing so enabled us to adapt our business to changing recruitment behaviours, evaluate customer risk, and decide what to do, using scenario planning and bottom-up estimates of demand.

We built cross-functional teams dedicated to regular analysis of our business and its environment. We applied the insightful data across the business, refined processes and management systems, while reskilling our workforce through digital learning.

We also performed research activities on high-level trends in STEM markets, the findings of which facilitated critical conversations with our customers, which in turn helped us focus on the optimal outcomes and build the ecosystem of the best STEM talent provider.

Delivered through
Management upskilling.
VIP outreach to selected companies and key industry bodies to gather insights.
Sector and skill Thought Leadership – targeted marketing campaigns to nearly 6,000 customers.
Improvement in customer net promoter score to 52 (2019: 44).

Strategic pillar
Our position
Our markets
We embrace data science to develop a deeper understanding of the market dynamics, flex to current trends and drive efficiencies.
Why we exist
Our purpose is ‘bringing skilled people together to build the future’.

Our resources

Our people
Our people are the key differentiator in our ability to deliver outstanding customer service.

Platform dynamics
We benefit from economies of scale across our entire value chain. Our technology and innovation enable us to build best practice once and scale it multiple times.

Global presence
We have market-leading positions in core STEM regions with the highest growth opportunity: the USA, Germany, the Netherlands, UK and Japan.

STEM talent pipeline
Supported by market leading sourcing techniques, we are experts in nurturing our existing candidates, identifying new candidate pools and developing candidate communities across our chosen markets.

Market intelligence
We are well equipped with advanced data analytics tools to identify new candidate pools, respond to emerging employment trends and take advantage of new market opportunities.

How we operate

1. We select the best STEM markets
2. We build candidate communities
3. We serve our clients
4. We earn fees mainly on a recurring basis
5. We innovate for an outstanding customer experience
6. We allocate capital to fund continued business growth

We source high volume and specialist STEM roles via:
• Innovative digital marketing and targeting techniques.
• Specialist consultants.
• Career development opportunities including industry events, networking and Thought Leadership.
• Multi-channel campaigns.

We serve our clients:
• Develop direct relationships with clients, candidates, and business partners.
• Localised and flexible approach considering client preferences and complex regulatory landscapes across all regions.

We earn fees mainly on a recurring basis
Percentage of Group net fees:
• 76% are contract fees, earned on an ongoing basis for the duration of the contract, with the Group paying contractors and retaining a portion of the amount charged as a service fee.
• 24% are permanent fees, charged as a percentage of the candidate’s salary when a candidate is placed with a client.
• Our weighting towards Contract allows for a predictable, stable revenue stream that is likely to continue in the future.

We innovate for an outstanding customer experience
• Leveraging technology to streamline operations, improve customer experience, and build a diverse portfolio of services.

We have clear and efficient allocation of capital to fund business growth
• We maintain a strong financial position whilst continuing to deliver high returns over time.

Creating value for our stakeholders
and supporting the ethos of the United Nations Sustainable Development Goals.

Candidate communities
Offering candidates purposeful, sustainable careers where we nurture their development and build skills for the future.

14,000
candidates placed during the year

Clients
Sourcing diverse talent for our clients and closing the significant skills gap in key markets around the world.

>9,000
clients around the world
52
net promoter score

People
In 2020, we employed over 2,600 colleagues in 15 countries across 65 offices. We provide purposeful employment to our colleagues and are committed to developing diverse talent within our business.

5%
operating profit invested in people development

Shareholders
We are committed to delivering long-term value to our shareholders and maintaining a sustainable dividend.

14.2p
EPS

Communities
We add value to communities through facilitating decent, sustainable work. We utilise our intellectual capital to empower people to overcome the barriers to employment and build pathways into STEM careers.

671 people access career support programmes
318 people access STEM initiatives via the SThree Foundation

Environment
We source the talent needed to build a future fuelled by clean energy, partnering with clients on a number of decarbonisation projects. We are also committed to reducing our own carbon footprint and our aim is to reduce our absolute emissions by 30% by 2024.

-56%
reduction in CO2 emissions
SECTION 172 STATEMENT

Engaging with our stakeholders

How the Board complied with its Section 172 duty

The trust of our shareholders and other stakeholders is essential to SThree remaining a reliable and sustainable business in the long term.

As a recruitment business with global scale and expertise, we recognise the significance of strong relationships with all our stakeholders. We maintain dialogue through different communication channels, such as regular customer and employee satisfaction surveys, investor presentations, virtual events, charitable events or investor meetings.

The global health crisis has meant that working practices, attitudes and market trend timelines are changing rapidly and in today’s climate, stakeholder relationships are more fundamental than ever before. The COVID-19 health crisis has raised new questions, such as how we connect with our shareholders, candidates/clients and others; how we manage a team that we can no longer just walk up to; or how we set market expectations in a fast-changing environment. Through working collaboratively with, and listening to feedback from, the Company’s many stakeholders, the Board believes that SThree is well positioned to deliver our investor proposition, while responding to increasing stakeholders’ expectations and uncertainty. A crisis such as this is a real test of how well we manage the relationships within and outside our organisation. For our business to come out of these unprecedented times stronger and more resilient, it is crucial that all our stakeholders remember who we are and what we do.

The Board has a well-established corporate governance framework with key principles outlining:

- the Board’s strategic leadership of the Group;
- prudent and effective controls to enable proper risk assessment and management;
- Terms of Reference for conduct of the Board’s Committees; and
- the Board’s process to create value for stakeholders, including approval of the Group’s long-term strategy and ambitions, whilst ensuring that the necessary financial and other resources are in place to enable these objectives to be met. In undertaking this, the Board also reviews management performance and oversees the Company’s values and standards, with all Directors acting in what they consider the best interests of the Company, consistent with their statutory duties.

The trust of our shareholders and other stakeholders is essential to SThree remaining a reliable and sustainable business in the long term.

While having regard to the matters set out in Section 172(1)(a) to (f) of the CA2006, the Directors, through the SThree plc Board, continued to exercise their duties to govern and promote the success of the Group for the benefit of its stakeholders.

<table>
<thead>
<tr>
<th>Section 172 factor</th>
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<tr>
<td>Consequence of any Board decision in the long term</td>
<td>Business model foundations that support the generation and preservation of the Company’s values</td>
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<td>How interests of different groups of stakeholders were considered</td>
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<td>Changes to cash preservation policy</td>
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<tr>
<td>Interest of employees</td>
<td>How we engage with and reward our people</td>
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<tr>
<td>Our business relationships with suppliers, customers and others</td>
<td>Insight into how interests of different groups of stakeholders were considered</td>
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<td>Impact of our operations on the community and the environment</td>
<td>Main methods used by the Board to engage with stakeholders</td>
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<td>Maintaining high standard of business conduct</td>
<td>Insight into the role of culture as a basis for decision-making within our business</td>
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<td>Acting fairly between members of the Company</td>
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Section 172 factor read more on page

- Our business model on pages 28 to 29
- Stakeholder engagement on pages 30 to 37
- Strategy in action – pillar 1 on pages 42 to 45
How we engage and foster strong relationships with some of our key stakeholders

Our people

Why we engage
Our people are the lifeblood of SThree. Their entrepreneurial spirit is embedded in our culture and underpins our ongoing success.
We recognise that employee engagement is essential to enhancing our Company culture, retaining our talent and is a booster to productivity.

Listening to our people’s views is therefore critical to the Board’s decision-making, and the engagement of colleagues is a major factor driving efficiency, customer relationships and therefore profitability.

Our response to key matters raised in 2020
This year was overshadowed by the global COVID-19 health crisis, with ongoing wellbeing and engagement within our teams therefore a top priority. We launched various initiatives to drive engagement and foster a sense of community and inclusion across our teams.

As a response to a pulse survey on wellbeing, we recognised the call out for more support in this area both during COVID-19 and as a long-term part of our culture. We developed and launched a wellbeing programme called THRIVE which provides tools and resources to help our people look after their body and mind, self-purpose, personal growth and financial stability.

We developed a ‘Coronavirus Knowledge Hub’, a dedicated SharePoint with materials and guidance on managing remote teams. It also offers guidance on remote working for our teams, and tools and tactics to best communicate with customers and others. Together, these measures should help us meet evolving needs in these unprecedented times.

In addition, we have accelerated investment in our digital learning platform to provide learning on demand for all.

In response to the BLM movement in the USA, and as people across the world came together to stand united against racism, we accelerated the implementation and actions within our global D&I strategy, in which Race & Ethnicity is a key global pillar. These included an email and video message from our CEO to all our people on anti-racism, where the Group intranet, social media channels, webinars and face-to-face meetings.

We also organise frequent pulse surveys to get direct feedback and understanding of matters important to our global workforce. The responses and feedback allow the Board to develop and work on people priorities and development plans.

Furthermore, our annual EMPLOYER SURVEY measures the organisational response to engagement and helps us to build plans and strategies to address the feedback and effect tangible change.

Executive Directors and senior management launch regular update videos to maintain colleague morale in challenging times. As part of our commitment to the UK Corporate Governance Code, we have a dedicated Non-Executive Director (‘NED’) responsible for engagement, Denise Collis, who runs a series of focus groups to ensure a two-way dialogue between our people and the Board.

This year we have organised focus groups with DACH, USA and UK & Ireland, plus a Race & Ethnicity Diversity & Inclusion (D&I) focus group, in line with our strong commitment from the Board to the D&I agenda.

We also run a series of focus groups to hear about people’s experiences and perceptions on a range of topics, e.g. relating to ESG (environmental, social and corporate governance) and D&I. The focus group’s conversation themes and outcomes feed into global strategies and directly contribute to future action plans.

Case study
Inside our crisis response

As part of the ongoing crisis management, we formed a dedicated COVID-19 crisis management team (‘CMT’) made up of key senior managers from across the business. The CMT has monitored developments closely by tracking key business lead indicators and following the guidance issued by the local national governments.

It has convened at least weekly to ensure that all possible actions to mitigate the impact are taken quickly and effectively, whilst ensuring continued focus and consideration of all key stakeholders, regions and business areas. It has reviewed its response in line with the priority of keeping our people, candidates and clients safe and operations going.

About the Office Closure Tiering System

The second wave of COVID-19 was identified as a fast-moving emerging risk, with large parts of our business having to re-close offices resulting in our people working from home. To help people understand the decisions being made, there was a requirement for a transparent office closure policy which allows for data-driven decisions on the status of the offices globally.

The policy contains a tier system with four stages, each with slowly reducing office capacity and restrictions on other work-related activities through to full closure with exceptions for those who have critical business activities which cannot be performed at home. The policy allows the Group to keep our offices open for as long as it is deemed safe to do so in order to provide a safe working space for our colleagues whilst also being mindful of our moral obligation to wider society in helping to reduce the number of people moving around.

The tier system has a built-in holding period to ensure that we do not reopen offices before it is safe to do so but also allows closure of an office quickly in the event of increase in infection rates.

The metrics being used are from reliable public sources which are consistent globally as it is important the policy is clear and transparent for our colleagues who will be impacted.

We recognise that this is a difficult time for our people and there is continued uncertainty. Where possible, the Group provides assistance through a rollout of the correct equipment to work at home safely, supportive policies on sick pay and dependant leave, and access to employee assistance programmes which provide counselling, legal support and other resources.
How we engage and foster strong relationships with some of our key stakeholders

Our clients and candidates

Why we engage

Regular engagement with all our customers (clients and candidates) builds trust, strengthens business relationships, and helps our recruiting consultants develop a personal network that allows for a wider reach of our brands, including by prospective customers.

Our better understanding of customers gives us a huge competitive advantage as it helps us adopt our business and strategy by investing in the right vertical niches and improving and developing a service proposition that is more relevant to evolving customer needs. Ultimately it helps us remain the STEM talent provider of choice in our markets and a sustainable value creator.

This year deepened our understanding of challenges faced by candidates in current STEM job markets: client enrolling preferences and buying behaviours, new trends in candidate selection and placement, and a rise in supply of, and demand for, flexible working arrangements giving access to a broader pool of candidates.

The insights were used by the Board to refine the Group service proposition and to make well-informed investment decisions to drive even stronger sales execution.

We made significant progress in streamlining our product and service portfolio by having a very clear and transparent go-to-market strategy.

We continued to strengthen our routes to market with a relentless focus on excellence in service execution. We invested in our sales operating model, by digitising internal processes, and modernising operational systems in local support functions.

In response to the increased digitisation and restructured customer channels, we invested in virtual solutions that allow our consultants to connect with hiring managers and candidates in real time.

We started offering remote onboarding and assisting with candidates’ cultural fit – two key needs raised by our customers in challenging market conditions.

We equipped our marketing team with data and advanced analytic tools to drive actionable insights. For example, they delivered Thought Leadership articles which proved to be highly effective in positioning our business as a valuable partner and leader in the recruitment industry.

The produced content delivered value by educating and informing customers about topics relevant to their businesses. Inspiring them to act differently, and helping them decide about solutions to the challenges they faced.

Our response to key matters raised in 2020

This year deepened our understanding of challenges faced by candidates in current STEM job markets: client enrolling preferences and buying behaviours, new trends in candidate selection and placement, and a rise in supply of, and demand for, flexible working arrangements giving access to a broader pool of candidates.

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Strategic pillar

Our position

Our platform

Our markets

5,683 people registered for our events

Launch of STEM Career Pathways programme

In 2020 we launched a STEM Career Pathways programme in the USA, in which we deliver interventions that support people at risk of unemployment and underemployment. Within the programme candidates volunteer their time to mentor students, developing their own leadership and coaching skills whilst supporting the next generation of diverse tech talent. We will expand this programme into other markets in 2021.

Case study

Launch of #STEMSeries virtual events

In 2020 we collaborated with clients to deliver #STEMSeries virtual events. Over 5,600 people registered for our events to learn and develop. This included events addressing topics related to career barriers, diversity in STEM and personal development. We collaborated with community partners and clients to deliver virtual events specifically for young people from underserved communities, helping them understand pathways into STEM careers.

Case study
How we engage and foster strong relationships with some of our key stakeholders

Our shareholders

Why we engage

We aim to instil confidence in our investors and win their trust in, and long-term support of, our business. Our investors want to know about our business resilience, growth prospects and sustainability. It is critical that we respond to them most appropriately, with complete, accurate and understandable information including details about our strategy and the operational and financial performance of SThree.

Throughout the year there is an ongoing dialogue between the Chair, other Non-Executive Directors, and the Company’s stockbrokers and financial advisors. We also receive feedback on shareholder views through meetings covering both larger institutions internationally as well as targeted sections of the UK private wealth and retail investor community. We also receive feedback on shareholder views through the Company’s stockbrokers and financial advisors. Throughout the year there is an ongoing dialogue between the Chair, other Non-Executive Directors, and the investor community to address governance and/or strategy matters, with investors also met.

Our response to key matters raised in 2020

In the environment that we faced in 2020, our investors wanted to understand what pressures SThree had to overcome and the realistic consequences of the potential scenarios that we considered. We promptly shared information about all relevant decisions affecting shareholders.

We took a number of measures to ensure the business remained on a strong financial footing in the short term, whilst retaining the skills, capacity and management capability to fulfil our long-term ambitions. For example:

• to preserve liquidity reserves and to ensure we meet financial obligations as they fall due, we made temporary adjustments that affected our shareholders;
• we withdrew the 2019 final dividend of 10.2 pence per share, as detailed in the Notice of the 2020 AGM;
• we scaled back non-essential capital expenditure and discretionary costs, making only targeted investments in strategic initiatives;
• we temporarily adjusted executive pay and Non-Executive Directors’ (‘NED’) fees (including salary and bonus opportunity); and
• we froze hiring, managing headcount as appropriate and aligned with local conditions.

These initiatives helped us to demonstrate to our shareholders not only our ability to adapt almost instantly to exceptional circumstances but, crucially, how we can remain a valuable and reliable business by continuing to execute against our strategy, whilst improving the underlying sequential performance and resilience.

We also dealt with many enquiries regarding the Group’s headcount and aligned with local conditions.

To read more go to pages 38 to 39 Strategy overview and pages 24 to 27 Market overview

Our local communities

Why we engage

Our business model is built around communities. Our candidates, clients, and colleagues are instrumental within their local community. It is within these communities that we source our business opportunities - when our community thrives, our business thrives, and vice versa.

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There’s a growing skills shortage in the markets where we operate. Local communities provide a source of potential talent and in return, through our services, we provide quality inclusive opportunities for work and economic growth.

In addition, the clients we work with are at the forefront of solving some of the world’s most complex challenges. This includes solutions to overcome climate change.

Strengthening our communities and also addressing the growing risk of climate change is not only the right thing to do, but it also strengthens our business and facilitates our growth plans.

How we engage

We bring skilled people together to build the future.

Through our work we source, nurture and place talent who solve complex world challenges.

We partner with clients to deliver the skills needed to work towards the United Nations Sustainable Development Goals.

We nurture communities to ensure we can develop the skills needed for a sustainable future. This includes delivering a variety of employability initiatives to build diverse talent and help reduce unemployment in underserved communities.

We also deliver STEM Career Pathways, where we partner with education and non-profit organisations to ensure people from underserved communities have access to STEM careers.

To read more go to pages 38 to 39 Strategy overview and pages 24 to 27 Market overview
Our position
Leveraging our position at the centre of STEM to deliver sustainable value to our candidates and clients

Our stakeholders
Key performance indicators we track
Revenue
Net fees
Adjusted profit before tax

What we did in 2020
• Using MFV principles of driving economic returns over time, hard-wired our strategic plan choices into our resource allocation on budgets and executed against this.
• Performed a strategic portfolio review (including geographical footprint) and developed a roadmap to help future-position SThree across all core markets, brands, products and services.
• Reviewed our brand purpose and aligned it to SThree’s core value proposition.
• Delivered two community outreach programmes to grow diversified STEM candidate communities.
• Delivered K-Termics events to share knowledge and insights to existing and potential candidates and clients. Over 5,600 people registered for our events.

Initiatives and immediate priorities for 2021
• Continue to drive insight into emerging STEM job markets and create Industry Thought Leadership.
• Ensure ongoing strategy execution through quarterly operational reviews with key markets.
• Execute on the strategic programme roadmap initiated in 2020.
• Scale our community outreach programmes into more markets.

Our platform
Create a world class operational platform through data, technology, and infrastructure

Our stakeholders
Key performance indicators we track
Adjusted operating profit conversion ratio
Adjusted free cash conversion ratio

What we did in 2020
• Strengthened operations management – new COO appointed to implement efficiencies and modernise support functions.
• Targeted investments in IT infrastructure to drive productivity and deliver value to our stakeholders without interruption.
• Global laptop rollout – SThree workforce working remotely.
• Deployed digital technologies to enhance connectivity, productivity and efficiency in response to emergent business needs.
• Established Strategic Portfolio Governance Group (our new ways of working) to create a scalable end-state of systems, processes, resourcing and governance within operations’ support functions.
• Launched a global programme of work to build out commercial teams and service models by reducing operational friction and creating scalable solutions.
• Developed a new data operating model (set of rules to collect, process and analyse internal data and market insights) to develop a deeper understanding of the market dynamics by understanding and flexing to current trends and clients’ changed behaviours in the face of the health crisis.
• Continued improvement in customer satisfaction results and driving the right behaviours by monitoring our NPS score (2020: 52, 2019: 44).
• Continued to improve our strategic approach to deliver STEM talent in our key STEM geographies.
• Invested in scalable and best-in-class tech solutions to enhance our talent recruitment and service models.
• The plan is ongoing – continued to maximise our position to develop a deeper understanding of the market dynamics by understanding and flexing to current trends and clients’ changed behaviours in the face of the health crisis.
• Continued improvement in customer satisfaction results and driving the right behaviours by monitoring our NPS score (2020: 52, 2019: 44).
• Our DACH business was recognised as the third largest IT contract recruiter in Germany.

Initiatives and immediate priorities for 2021
• Modernise our global data platform to leverage our insight and provide advanced analytics on skills market trends.
• Further roll out front-office market intelligence tools to increase sales productivity.
• Roll out operational improvement programmes to improve forecasting, revenue assurance, compliance, and risk management.

Our markets
To be a leader in markets we choose to serve

Our stakeholders
Key performance indicators we track
Customer net promoter score (‘NPS’)
Total shareholder return
Adjusted basic earnings per share (‘EPS’)

What we did in 2020
• Group net fees down 9% YoY, demonstrating resilience and the continued recovery from the impact of the health crisis. Strong performance in the USA and Germany.
• Our market share has remained stable YoY.
• Continued to improve our strategic approach to deliver STEM talent in our key STEM geographies.
• Strengthen diversity in STEM through growing community outreach programmes.
• Continue to reinforce processes, systems and governance within our operational functions.

Initiatives and immediate priorities for 2021
• Underpin our ambition to grow our overall market share by +50% by 2024, by working with our key regions and local commercial teams to further develop their growth plans and priority investments.
• Look to ensure that our businesses in the USA and Japan accelerate their performance in line with their market opportunities.
• Link performance in the highly competitive UK and DACH markets.
• Continue to reinforce processes, systems and governance within our operational functions.

Our people
Find, develop, and retain great people

Our stakeholders
Key performance indicators we track
Year-end sales headcount/hour/year
Female representation in key sales roles
Employee net promoter score (‘eNPS’)

What we did in 2020
• Increased employee communication – CEO Town Halls and Q&As provided an interactive platform for Senior Leadership Team to discuss Group strategies and obtain immediate team’s feedback.
• Organised pulse surveys on key areas of impact to the employee experience.
• Delivered over 5,900 hours of learning, enabling staff to work, lead and perform in our new remote workspace.
• Launched a new management development programme to grow manager capability and nurture great leadership behaviours and skills.
• Expanded knowledge hub blueprint to reinforce staff skills and quality of Permanent service delivery.
• Launched TEMPEST – our new global commitment to health and wellbeing.
• Global D&I four-year strategy signed off by the Board with key actions and targets to deliver in 2020.
• Raised awareness in D&I pivotal towards virtual or online events, widening the coverage and audience both internally and externally.
• Conducted eNPS pulse surveys – eNPS declined from 38 to 5 due to the impact the health crisis had on our people and business.

Initiatives and immediate priorities for 2021
• Develop the organisational culture through leadership behaviours, development, D&I, strategy, and operating principles.
• Build consistent approach towards reward frameworks, career pathways and structures.
• Continue to embed and expand the new flexible ways of working.
• Strengthen diversity in STEM through growing community outreach programmes.
• Implement new learning Management System to drive ‘self-service’ approach to learning.
• Build global talent acquisition community to create and share best-in-class hiring practices across the Group.
### Our position
Levelling our position at the centre of STEM to deliver sustainable value to our candidates and clients

**Revenue**
Income generated from the sale of services to clients, including discounts, from continuing operations.

**2020 performance**
<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£m</strong></td>
<td><strong>£m</strong></td>
<td><strong>£m</strong></td>
<td><strong>£m</strong></td>
</tr>
<tr>
<td><strong>1.2bn</strong></td>
<td><strong>-9% (-9%)</strong></td>
<td><strong>1.3bn</strong></td>
<td><strong>-4% (-4%)</strong></td>
</tr>
</tbody>
</table>

### Our platform
Create a world-class operational platform through data, technology, and infrastructure

#### Adjusted operating profit conversion ratio
Operating profit before adjusting items stated as a percentage of net fees, from continuing operations.

**2020 performance**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>10.1%</strong></td>
<td><strong>17.3%</strong></td>
<td><strong>17.2%</strong></td>
<td><strong>20.1%</strong></td>
</tr>
</tbody>
</table>

### Net fees
Revenue less cost of sales from continuing operations.

**2020 performance**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td><strong>£m</strong></td>
<td><strong>£m</strong></td>
<td><strong>£m</strong></td>
<td><strong>£m</strong></td>
</tr>
<tr>
<td><strong>309m</strong></td>
<td><strong>-6% (-6%)</strong></td>
<td><strong>338m</strong></td>
<td><strong>-1% (-2%)</strong></td>
</tr>
</tbody>
</table>

### Adjusted profit before tax
Net fees less administrative expenses, less interest before adjusting items, from continuing operations.

**2020 performance**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£m</strong></td>
<td><strong>£m</strong></td>
<td><strong>£m</strong></td>
<td><strong>£m</strong></td>
</tr>
<tr>
<td><strong>301.1m</strong></td>
<td><strong>-49% (-49%)</strong></td>
<td><strong>59.1m</strong></td>
<td><strong>-21% (-23%)</strong></td>
</tr>
</tbody>
</table>

**Notes**
1. KPIs accompanied by the symbol® are used for the Executives’ remuneration, as per the policy approved by shareholders at the 2020 Annual General Meeting.
2. **In constant currency.**
3. **Includes the impact of £0.5 million in net exceptional income (2019: £2.5 million in net exceptional cost).**

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### Our markets
To be a leader in markets we choose to serve

**Customer net promoter score (NPS)**
Customerdriven and quantifiable capture goodwill feedback from customers about their experience of working with SThree. This helps us measure and improve the customer experience and draw meaningful insights into the changing work landscape.

**2020 performance**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average NPS</strong></td>
<td><strong>52</strong></td>
</tr>
</tbody>
</table>

**Notes**
1. **In constant currency.**

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### Our people
Find, develop, and retain great people

**Year-end sales headcount turnover**
Headcount turnover is calculated as the number of leavers in a year as a percentage of the average sales headcount. Headcount is based on full-time equivalent heads in place at the year end.

**2020 performance**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td><strong>%</strong></td>
<td><strong>%</strong></td>
<td><strong>%</strong></td>
</tr>
<tr>
<td><strong>Level 3</strong></td>
<td><strong>15%</strong></td>
<td><strong>14%</strong></td>
</tr>
<tr>
<td><strong>Level 4</strong></td>
<td><strong>14%</strong></td>
<td><strong>14%</strong></td>
</tr>
</tbody>
</table>

**Notes**
1. **In constant currency.**
2. **In constant currency.**

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### Report and Accounts 2020

**SThree plc**

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**Average global eNPS**

**2019: -33 pts (2018: 11)**

**eNPS global sales: 11**
**eNPS global support: 14**

### Employees

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**Candidate and client surveys**

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**Average global eNPS**

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**eNPS global sales: 11**
**eNPS global support: 14**

**Notes**
1. **In constant currency.**

Our position

Leveraging our position at the centre of STEM to deliver sustainable value to our candidates and clients

STRATEGY IN ACTION

Our strategic focus on STEM and flexible working, combined with our scale in markets with the highest growth opportunity, was more relevant than ever as we navigated the global health crisis and prepared for the next normal.

The COVID-19 health crisis had a significant impact on the recruitment market. However, robust demand has held up in STEM roles and digital transformation has been crucial in the global response. Alongside this, our second secular trend of flexible working continued to intensify as clients respond to the crisis with the need for flexible project-based staffing solutions. The shift in working practices seen through the health crisis has changed the workplace and many businesses are seen to be adapting these for the long term.

SThree plc
Annual Report and Accounts 2020

Uses of cash – investing in areas that will drive growth

In 2020, the Board reviewed and temporarily withdrew the dividend to safeguard the business whilst creating capacity for SThree’s value-enhancing investments.

Funding organic growth remained the Board’s top priority. The Directors considered business requirements that emerged in the new normal and pivoted funding towards investment in the core business, the pursuit of our ambitious ESG policy – ‘Building back better’ – and IT infrastructure (the latter to meet an urgent need for (i) digitalisation of internal processes and modernisation of operational systems, (ii) greater support for a global remote-working staff, and (iii) development of the Group’s analytical capabilities).

Our approach reflects the ongoing uncertainty in the global economy but acknowledges a need to invest in core enablers that are required to seize opportunities in our STEM markets, many of which remained resilient through 2020. Our investments have remained consistent with our Managing for Value framework, focusing on projects that deliver economic value.

To capitalise on improving sequential trends, we continued assessing potential M&A opportunities to drive scale in our core markets.

Portfolio optimisation – concentration on attractive markets

We came into this period selectively investing in the right vertical markets and continued to do so to position us for the future.

As previously outlined at the Capital Markets Day, we focus on the big staffing opportunities in the USA, Germany, UK, the Netherlands and Japan. However, during the year we also performed a strategic review of our portfolio of markets with regard to the attractiveness and potential of their STEM recruitment markets.

In collaboration with regional Managing Directors and their teams, and in alignment with the Group vision and purpose, we agreed upon a number of unique strategic priorities for each country to protect core profits from industry forces and to drive a profitable growth, sector expansion underpinned by strong high-quality execution. In the USA, the world’s largest staffing market, we prioritised IT strategy and expansion of services supported by improved sales execution and a focused people model. In Germany we have continued to invest in our Market Intelligence tool and have seen a growth in our STEM market share, which helps us to become a leader in our top STEM specialist markets. In the Netherlands and UK we have focused on our customer relationships to deliver value and as a result have taken further market share. In Japan we have taken the opportunity this year to focus on our brand identity and value proposition and as a result delivered targeted solutions for the success of our clients.

Through the strategic review, we have aligned our market strategies to delivering the Group’s objectives in revenue, net fee and margin ambitions that we have set for ourselves, and to grow our STEM staffing market share in our markets from 2% to 3% by 2024, as shared at the Capital Markets Day in November 2019.

2024 ambition for STEM staffing market share
Growing revenue by adopting new ways of working and agile delivery practices

During the year, we established a global programme to explore the future business model for SThree and envision our future recruitment markets. Recognised as a strategic imperative by the Board and senior leadership, the programme has a collective goal to deliver a step change in the way we identify and maximise market opportunities, to refine our multi-brand strategy for the Group and explore digital propositions which complement our core business.

To achieve this vision, we have formed a core programme team to identify the requirements of our future model, and to lead change activities across the Group, starting with core enablers:

1. improving our data structures and platforms to allow for more effective data analysis and data-entry automation;
2. developing better market insights and tools to provide analysis of internal and external data to maximise sales productivity;
3. refining our brand strategy and associated value proposition to drive increased brand awareness; and
4. exploring how innovative digital recruitment propositions will change the recruiting landscape.

Driving efficiencies and modernising support functions

We continued to invest in our sales operating model by modernising our front- and back-office infrastructure, to strengthen our execution with clients, deepen STEM sector focus and coverage, and improve sales consultants’ effectiveness in promoting and selling the SThree offering. Underpinning this is a modern and scalable IT infrastructure with operational support centres focused on our core markets.

2,140+ women in tech attended our virtual events in 2020

Our marketing function has evolved in line with our sales activity model to lower the cost of candidate and client acquisition, and drive actionable insights while creating and managing candidate communities. To do so, we have upgraded our capabilities and made material changes to our core sales processes. We equipped our marketing team with data and advanced analytic tools to support locally targeted marketing activities.

Customer journeys and experience are being mapped and re-engineered, and we’re equipping our salesforce with greater sector insights and Thought Leadership materials while candidate and client NPS continue to be rigorously tracked. This allows us to have different activation campaigns for different sectors and regions. We aim to build and sustain this critical capability as a long-term competitive advantage.

In Germany and Japan we established fit-for-purpose localised support functions to enable competitive and lean Contract and Permanent placement models. We invested in the right capabilities to navigate increasingly complex legal and regulatory landscapes. In Japan, we ensured that all our clients are being serviced locally by Japanese native speakers.

Developing strong candidate communities in skill shortage markets

Building and nurturing candidate communities is key to ensuring we can provide the very best talent to our clients. In 2020, we undertook surveys to understand what support our candidates required and we responded accordingly with virtual onboarding and other tools to make the transition to remote working successful.

Through our candidate communities we facilitate learning and networking that strengthens careers. We continued to grow and expand our candidate communities through the following initiatives:

1. In the USA and UK we supported communities of women in tech through awareness, knowledge and education-based events. Over 2,140 women in tech attended our virtual events in 2020.
2. We delivered 75 virtual events across the globe within our #STEMSeries, during which we shared our intellectual capital and discussed important topics facing STEM professionals. Over 5,600 people registered for our events.
3. Our STEM Career Pathways programme provided accredited training, mentoring, industry insights and career development support to people from underserved communities. We mobilised our candidates as mentors, developing their skills whilst helping future talent. Our colleagues provided career support, and our clients provided work opportunities. In 2020 we launched this programme in the USA.
Our platform

Create a world class operational platform through data, technology, and infrastructure

"This is not the first public health and economic crisis, but it certainly is the first one where tech has become critical for business to continue, with infrastructure, IT-hardened remote working and Life Sciences all having a contribution to play in solving the health crisis - elevating the status of STEM skills and accelerating the digitisation of the workplace amongst employers globally."

Mark Dorman, CEO

2020 showed the importance and value that technology has in running our business. We have continually made operational improvements within our core businesses, focused on digital enablement, remote working, onboarding technology, use of data, and knowledge sharing.

Appointment of Chief Operating Officer

In January we appointed Kelly Olsen as our new Chief Operating Officer ("COO") to provide strategic leadership and management of organisational functions, their systems and processes, and to oversee the delivery of core services to the organisation. The COO will lead on implementing a change programme which comprises a series of activities over the next few years to develop more collaborative and effective ways of working.

Leveraging technology in times of change and uncertainty

During the year we have embraced technology at a pace never seen before in our organisation, as we prioritised keeping people safe while continuing to serve our customers in the best possible way.

Working, staying connected, and promoting wellbeing through tech

Since lockdown measures were introduced, we immediately adopted remote working, reshaping our client and candidate interfaces. Our technology team accelerated their plans for hardware refresh, invested in systems and enhanced the networks to support remote working. We invested in Group-wide communication technology to stay connected in a way that has proven to be highly effective.

Virtual initiatives have been launched across the business on collaboration platforms which allowed us to run workshops and agile sprints, and to work together across offices and markets.

The health crisis has forced us all to work differently and through this situation many will ultimately enjoy better, more flexible working experiences. As a result, we have already seen thousands of hours saved on commuting has led to greater productivity across the business. Technology has made this possible and will be fundamental to long-term recovery and the transition to the new normal.

Disciplined innovation - our new ‘ways of working’

Portfolio management is at the core of our strategic pillars.

With the aim to safeguard the strategic fit of innovation initiatives identified anywhere within the business, we introduced greater rigour and control around our project portfolio and financial processes. We set up new ‘ways of working’, the Group’s strategic operating model, to promote and successfully execute growth programmes. Our new ‘ways of working’ are underpinned by guiding principles ensuring financial discipline, consistent collaborative behaviours, skills, and delivery across the Group.

The new ‘ways of working’ are monitored and directed by the Portfolio Governance Group, responsible for transformation programmes and their alignment with broader Group strategy.

Communities of experienced portfolio practitioners and Scrum Masters create a work environment where projects are delivered through an agile spirit-based lifecycle to ensure rapid, robust, and safe execution. Operating as a cross-functional core team and organised in discrete sprints, team members hold themselves mutually accountable for the success of each project.

As we emerged from the immediate COVID-19 health crisis period we’ve re-baselined the portfolio around the most critical strategic programmes to execute on our goal to create a world class operational platform, in line with our Capital Markets Day ambitions.

Operational alignment with our business model

We launched a global programme of work with the aim to build out commercial teams and service models by reducing operational friction and creating scalable solutions, fit for the next phase of SThree growth.

The initial focus of the programme was put on our four largest regions: the USA, UK/I, DACH and the Netherlands.

The programme is broken down into four workstreams.

1. Operational alignment with our business model

2. Operational improvement and streamlining of processes

3. New ‘ways of working’

4. Disciplined innovation – our new ‘ways of working’

The programme is designed to support our Capital Markets Day ambitions, drive productivity, improve efficiency, and create scalable solutions.

All workstreams are employing a solid ADKAR change management framework, supported by dedicated change managers, so that sustainable change is delivered throughout the business.
Leveraging data - we are informed by market intelligence

We remain focused on learning to operate better in whatever environment we find ourselves. As we navigated through the health crisis in 2020, we developed new use cases for our internal data and market insights, applying them across our global business processes and management systems while reskilling our workforce through digital learning.

As we act in many cases as a bellwether for activity in STEM specialisms, we invest to make better use of our data to help our own performance and to advise our clients accordingly. During the year, we created Thought Leadership pieces, ran PR events and hosted (virtual) fireside chats on social media, as well as focused our sales activity on new emergent opportunities.

VIP outreach to selected companies and key industry bodies

In 2020, we reached out to a wide selection of our clients, representing STEM industries to learn more about the health crisis impact in their local markets. We found out about clients’ new preferences and emerging behaviours in candidate selection and placement, as well as their interest and readiness in supplying flexible working arrangements to access a broader pool of candidates.

This wealth of insights allowed us to have the right immediate objectives and long-term strategic priorities. Our better understanding of customers helped us adapt by improving and fine-tuning our service proposition to ensure it continues to be relevant to evolving customer needs and local conditions. It also helped us further build on our expertise in sourcing niche skills and difficult-to-find candidates in all our markets.

Ultimately, our market intelligence helps us steer the Group effectively in the new world of work and to remain the STEM provider of choice.

New use cases for internal data

In our efforts to address value chain challenges, including rapidly changing customer behaviour and needs, employee safety and workplace concerns, we have been redesigning our internal processes by building cross-functional teams dedicated to regular analysis of our business and its environment.

Our finance function has developed strategies to cope with the unprecedented and big change. Responding effectively requires high-quality, reliable information, the consistent monitoring of which is essential to the Board and senior leadership decision-making. Consequently, our finance professionals have become more agile in their thinking and with their processes. They revise plans, build and review multiple scenarios, which often necessitates the involvement of the broader base of managers, and present their analyses to the Board and its Committees.

To further illustrate this, our internal crisis committee set up in response to the COVID-19 health crisis met every day during the early stages of the crisis to take decisions that best reflect individual markets and individual conditions at any point during the year. The insightful data, which we collected through ongoing communication with our customers and market analysis, highlighted what needed to be done, and by whom, to reach a stated goal, allocate sales resources accordingly, and bring leadership to bear. We were able to diagnose and remedy the priority operational issues of pace.

Purposeful cash management

The ability to forecast our short and medium-term cash position efficiently and effectively is essential for strategic decisions. Cash generated from SThree day-to-day activities supports organic growth of our business, allows us to explore new investment opportunities and provides shareholders with capital return and dividend. To maintain a strong financial position, our finance teams implemented new measures and processes designed to optimise working capital and preserve cash.

In 2020, we standardised our rolling cash forecast process by establishing formal roles and responsibilities, enhancing variance analysis functionality, and extending the cash modelling horizon from a medium term to longer term. The suite of improved cash forecasting tools has provided senior leadership with enough detail to monitor each category of spend, assess debt positions, monitor bank covenants, and prioritise operational and strategic decisions. It also created a greater opportunity for corrective action when cash forecasts are benchmarked against actual performance and the outlook for trading conditions.

Credit control

To ensure greater clarity on the Group’s current credit risk position, we also analysed the financial viability of our clients. We established global dashboards and implemented enhanced investigation tools for managing credit risk across all regions. Up-to-date risk ratings are now being maintained to identify the highest risk clients, apply the most appropriate collection strategies, and deliver focused credit controls and escalation measures.

SAP cloud migration

In 2020 we modernised our SAP ERP implementation into the cloud. SAP is our critical business application to account for day-to-day business transactions, generate invoices, settle bills, maintain fixed asset schedules, and provide real-time customer analytics and data.

The key objective of the SAP cloud migration initiative is to support the ongoing rapid growth and scalability of the Group.

The migration helped us eliminate complexity and the resources needed for the ongoing maintenance and development of our on-premise IT instance. We can now build and deploy consumer and business applications more effectively, leveraging the power of the cloud platform.
Our markets

To be a leader in markets we choose to serve

Economic recovery will bolster demand for tech talent and STEM skills. Our position as a global STEM specialist means we will play a huge part in supplying skilled candidates to the clients who will make a difference now and in the months to come and beyond.”

Mark Dorman, CEO

Delivering STEM talent

As the global economy started to recover through evolved business models, redesigned supply chains and rethought customer channels, we observed companies that moved further along the digital transformation journey, and allocated more resources to removing manually intensive processes, bypassing legacy IT and simplifying customer journeys.

Employers also adapted to the changing nature of employment to attract and retain talent. Finding skills to fill new business-critical roles often relies on contract workers who can bring highly specialised knowledge gained from deep industry deployments on flexible work contracts and have the experience to hit the ground running.

Rapid growth in STEM-related employment and an increase in flexible working played to our strengths. We understood these imperatives and worked with our clients to source the best talent in software development, IT security hardening, data science, pockets of ERP modernisation, clinical research, product development, and quality assurance.

At a regional level, our teams have gone above and beyond by finding and delivering STEM skills to support their customers to cope with the crisis, and build up skills which they can pivot when circumstances change.

Future Jobs and Project Jobs platform

Looking ahead to the next stage of growth, we want to be in a position where we can track new opportunities and skill requirements and be best placed to support our clients when they feel they are ready to recruit.

Aiming for further growth and success in meeting a rising demand for STEM skills, we created the Future Jobs and Project Jobs (‘F&P’) platform that helps us build a solid, long-term job pipeline. Since its launch in April, thousands of future job opportunities and projects have been registered on the platform, which helped us remain agile and make better informed decisions.

By tracking roles and open future job opportunities and projects have been registered on the platform, which helped us remain agile and make better informed decisions. By tracking roles and open roles in our core markets of the USA, the Netherlands, Germany, the UK and Japan. During the year, we increased our market share in the USA, Germany, the Netherlands and the UK, despite the health crisis. Demand for STEM talent fluctuated during the health crisis as some sectors were impacted more than others. However, our focus allowed us to outperform competitors in some key sectors. In particular, we saw strong performance in IT sectors in the USA and Germany, and robust performance in Life Sciences, reflecting both strong demand through the health crisis, and strength in our value proposition against competitors’ offerings.

In line with our strategy to be the number one STEM talent provider in the best STEM markets in which SThree has the strongest opportunity to take market share, we discontinued our operations in Australia.

Finding STEM talent with faster, scalable interview and placement solutions

We continued to strengthen our route to market with a relentless focus on excellence in service execution.

According to the Client Panel Survey conducted by SThree in June, 74% of our clients, most notably in the Netherlands, USA, Ireland, France and Japan, are now more willing to make offers following virtual interviews.

We have been increasingly investing in, and using, virtual solutions that allow our recruitment consultants to connect with hiring managers and candidates in real time. For example, on-demand video interviews that we have been using since March 2020 allow candidates to pre-record responses to structured, consistent, job-relevant questions anytime, anywhere, and without an SThree recruitment consultant or hiring manager’s presence. The pre-recorded on-demand interviews can be easily shared among the hiring team, prompting faster feedback.

The result is consistent evaluation of candidates, increased quality of hire by focusing on potential and culture fit, lower likelihood of candidates dropping out of the process, and overall reduced lead time to fill a role.

Online onboarding

As the health crisis escalated, the key employer challenge was to fill roles through remote onboarding from a candidate pool. Virtual technology has replaced face-to-face communication in many essential processes, including onboarding new hires into an organisation. The shift to remote onboarding – one of the more complex transitions demanded by lockdown restrictions – required an agile and adaptable approach. We streamlined the end-to-end experience, weaving in cultural elements, the organisation’s vision, mission, values, norms, behaviours and rituals, into the early stages of remote onboarding.

The result is a more effective and enjoyable experience of employee onboarding with automated steps of the process ensuring a consistent experience, and allowing more time for meaningful interactions. Facilitating the remote onboarding of candidates has been a recurring client request and is a service we are very well placed to provide.
Partnering with our customers – sector and skill

Thought Leadership

Throughout the year we engaged with our clients, candidates, and business partners in the recruitment industry to deeply understand the changing nature of commercial and human interactions and to explore trends that guide businesses in their strategic choices and decision-making. These trends include (i) a drive to create more flexible and resilient supply chains, and (ii) emerging trends to invest in technology to reduce fixed and variable costs.

There were multiple tools and channels that we used to communicate with, and gain insights about, our customers, e.g. VIP/targeted telephone survey, mass-email pulse surveys (to circa 6,000 respondents), roundtables, stay-in-touch events, webinars, or virtual events. Our wide network of recruitment consultants also enabled us to gain a deeper understanding of the current marketplace, which in turn allowed us to service our clients in the best possible way. In June we conducted a pulse survey among our recruitment consultants to deep dive into current job trends, to see how demand has changed by job and by industry, what prompts candidates to look for a new job opportunity and what challenges they encounter landing their desired job. This panel survey also helped us refine the communication channels we have since been maintaining with our clients.

The insights helped us understand our customers’ needs and priorities, now and into the future. In turn, this validated our strategy and the investments we should be undertaking to maximise sales in the evolving market.

Alongside this, we created a dedicated Market Intelligence team with tools and processes in order to enhance our capability in market research, application of the obtained insights, and external communication. They released regular analyses for our customers such as Thought Leadership materials – multiple fact packs – pivoting our clients towards changing work patterns, recruitment and placements challenges, and ways to overcome them.

Overall, our integrated Market Intelligence tool enriches our partnering model and enhances our client engagement.

Customer feedback

Gathering feedback from our customers on an ongoing basis was incredibly valuable this year. The more data we collected, the more patterns and trends in the labour markets we were able to see, and the more informed we were about our business future and services we can offer. We analysed customer feedback and tailored our service to individual needs.

DACH region recognition from Lünendonk

In 2020 our German colleagues were very proud to announce that they had become the third largest IT contract recruiter in Germany. Lünendonk is the German affiliate of the global organisation, Staffing Industry Analysis – the body that analyses the worldwide recruitment industry and its participants. It measures performance and growth, based on which it establishes an annual ranking of firms.

Being on the recruitment stage as the third largest IT contracting German recruiter is a tremendous achievement. The recognition from Lünendonk helps our staff to open doors with large clients and shows how we have grown as an organisation over the past years since first entering the Lünendonk top ten list in 2014.

Customer net promoter score

We monitored customer satisfaction by commissioning regular surveys (customer net promoter score) of more than 20,000 customers. Testament to the strength of the support we have given to our clients and candidates in this year, we have recorded an impressive improvement in NPS across the business, up by eight points to 52.

This demonstrates the value our customers attribute to our ongoing support and the flexible approach we have taken to meet new or changed demands.
Our people

Find, develop, and retain great people

Our own wellbeing is one of the most important things we can invest in. When we feel healthy and secure, we can be the best version of ourselves, at work and at home.”

Mark Dorman, CEO

Our people vision is to create the environment that enables our people to be at their best. We will do this by building a truly inclusive culture to drive diversity, collaboration, engagement, and both individual and collective performance.

As a purpose-driven organisation we want our people to be aware of the influence they can have on our customers’ lives and businesses. Our recruiting consultants can change candidates’ lives by finding them new career opportunities, while playing a crucial role in supporting our clients who are part of life-changing industries.

We encourage our people to develop skills and diverse thinking, so as to play the leading role of the pure-play STEM recruitment specialist.

This is demonstrated in our operating principles, that our people apply in a day-to-day business environment, by providing excellent customer service, delivering exceptional results, thinking innovatively, and acting with integrity. Our people foster our culture by being committed to creating a positive and inclusive work environment where diverse opinions and perspectives are valued.

This year was overshadowed by the complexities and implications of the global health crisis. It has altered the course of individuals, businesses, and societies across the globe. Protecting and motivating our people was our priority, to ensure that we come out of this crisis stronger and more resilient than ever before. Ultimately, our people will help us shape our business for months and years to come. We describe below several initiatives that we undertook to counteract the negative consequences of the health crisis on our people.

Beyond reskilling

This year we saw a rapidly changing business landscape where success increasingly depended on agility, innovation, collaboration, and professional resilience. This prompted us to make improvements in how we educate and train our people, and help them obtain skills and resilience for both the short and long term.

We restructured the Learning & Development (‘L&D’) function, helping it become a more collaborative function that partners with the business and stays agile to new and evolving needs of the organisation. We issued new training content, with learning modules and webinars available on demand, to allow our colleagues to develop delivery and service skills and less quantifiable capabilities such as emotional intelligence, remote leadership and collaboration, and apply them immediately in their work.

We launched the first two cohorts of our SThree Leaders Development programme to enhance our ability to lead complex business challenges, understand how to lead during uncertain times and stay motivated whilst motivating others. This fully virtual programme will allow collaboration with leaders across the globe and will use training, coaching, and peer-to-peer learning.

We established the ‘SThree Content Hub’ that provides our people with a central repository for all things brand-related, e.g. Thought Leadership, recent customer success stories, case studies. Sharing valuable STEM insights, knowledge and achievements with our networks is incredibly important in telling SThree’s story.

Permanent blueprint

We launched the Permanent blueprint knowledge hub that supports and reinforces Permanent recruitment service and delivery to our customers. It emulates the success of Contract blueprint SharePoint by providing a consistent and uniform best practice training platform globally.

The Permanent blueprint programme has been created as a direct result of the business going into COVID-19 Emergency Response phase and in response to the senior leadership feedback. It reflects our refreshed approach to be more agile as an organisation and share knowledge in real time as it becomes available. It is especially pertinent now that we have moved a big part of our salesforce to working remotely and we expect it to continue to push client and candidate NPS scores higher.

The platform provides modern, advanced and engaging material hosted on a SharePoint, e.g. videos with consultant win journeys, tips on use of technology in recruitment, insights from experts on how to create a strong capability statement calling out SThree USPs, as well as practical animation scripts designed to support recruiting consultants in implementing the blueprint concepts in a real business environment.

We work with some of the most critical talent helping to pull us through the COVID-19 health crisis, whether that’s through manufacturing, infrastructure and food tech, or life sciences where people are doing the research that has ultimately helped us find a vaccine. Our purpose of ‘bringing skilled people together’ has never felt more important, or relevant, than it does today.”

Mark Dorman, CEO
Health and safety (‘H&S’)

This year, protecting our people’s health, wellbeing and mental welfare was one of the highest priorities. We invested in this area by addressing the root causes of mental and physical wellbeing, injuries, and empowering our colleagues and contractors to do what is right.

We established a global leadership committee to monitor COVID-19 impacts and ensure timely decision-making. The committee reviewed the release of our H&S policy (available to all territories on the SThree intranet), following the unprecedented events of this year, and following a detailed review in 2019. Whilst H&S risks remained the same year-on-year, certain actions were undertaken to address the impact the ongoing health crisis had on our policies, processes and ways of working.

A Group-wide leadership team was established covering all geographical territories to ensure a Group-led risk assessment and analysis process and setting minimum standards for local specific hotspots.

We increased the support for our people in areas such as dependant care, absence management, flexible working, and information sharing.

Employee wellbeing

In May we launched our global initiative THRIVE to support the wellbeing of our people at work and at home. THRIVE is a multi-lingual programme that has been tailored to support our people in four areas of wellbeing: body and mind, social inclusion, flexible working and remote working, and when needed to keep the provided the appropriate ergonomically designed equipment and IT safety measures to reduce the risk. Any H&S concerns and incidents were reported to our H&S leads who promptly acted on mitigating these risks with the local leadership teams. Additionally, we kept our colleagues engaged through frequent remote Town Hall discussions and the use of video posting from the wider SThree community through internal communication channels.

Diversity and inclusion (‘D&I’)

The world can only innovate and develop solutions to address huge global issues if there is diverse thinking in the room to consider the needs of the population as a whole. SThree is in a unique position to be at the start of the people landscape, to consider those needs, and to contribute to diversity, not only within our own organisation but also through the candidates we source for our clients. Our ambition is to be recognised as a global D&I leader in the staffing industry. We invest time, resource and effort to make real change, both in our organisation and in society.

Remote working

The COVID-19 health crisis affected almost all Group locations, necessitating the full closure of almost every SThree office for at least three months in H1 2020. It dramatically redrew the line between a normal work environment and the need for social distancing, limiting what is possible to do remotely. The need for physical contact increased in relation to digital communications and relationships, usually one stroke the entire SThree workforce was deployed to their home environments and started to work remotely. We provided our people with the necessary tools needed to perform work and deliver an objectives remotely – this proved to be a vast operational success given the nature of our people-centric business. We identified common H&S, IT, and cyber security risk factors in delivering customer and support function service remotely, and when needed to provide the appropriate ergonomically designed equipment and IT safety measures to reduce the risk. Any H&S concerns and incidents were reported to our H&S leads who promptly acted on mitigating these risks with the local leadership teams. Additionally, we kept our colleagues engaged through frequent remote Town Hall discussions and the use of video posting from the wider SThree community through internal communication channels.

In 2020, we continued on the good work we had previously accomplished in D&I on gender, with our D&I Specialist continuing to work with the senior leadership and our people to develop a strategy and build on our impacts as an organisation to drive an inclusive culture. In April 2020, the Board signed off the Global D&I strategy - our commitment to accelerate representation and drive improved diversity across SThree. Since then, we have moved forward on global and local activities that are already making a real difference.

We launched Global D&I focus groups to hear the experiences and opinions of our people on our four global pillars of D&I (age, race and ethnicity, nationality, and gender) and to centre the strategy on the voice of our people. We want to identify evidence-based solutions for embedding an inclusive culture that aims to increase diverse representation at all levels of the business, increase engagement and retention, and enable individual and collective performance and growth.

To advance the implementation of our D&I strategy, we appointed Regional D&I Leads and Local D&I Advocates to help shape and deliver future plans. The advocate group is made of regional representatives – a diverse cross-section of gender, ages, roles, and ethnicities. They share employee feedback, recommend ideas and best practices, and discuss solutions to common culture and inclusion challenges seen across the business.

The gender and wider diversity balance across SThree as a whole is stable, and we already meet the FTSE 350 criteria of having 33% of Board/senior leadership positions held by women. Of the 2,608 people within the Group at 30 November 2020, 1,979 or 49% were women (2019: 1,578 or 49%). However, only a third of our people in key sales roles (level 3 or above) are women. There were 572 managers and directors within the Group, of which 208 or 36% were women (2019: 213 or 37%). One of our 2024 sustainability commitments is to achieve a full gender balance in managerial roles.

We are working to improve these numbers further by launching internal initiatives and programmes to support inclusion, flexible working and mentoring, and we have invested in the development of our current and future leaders as well as in technology and innovation.

<table>
<thead>
<tr>
<th>Gender gender profile at 30 November 2020</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number</td>
<td>2,608</td>
<td>1,279</td>
</tr>
<tr>
<td>Male</td>
<td>1,329</td>
<td>1,279</td>
</tr>
<tr>
<td>Female</td>
<td>1,279</td>
<td>49%</td>
</tr>
</tbody>
</table>

We have been working with our network, sharing ideas and strategies on how to narrow the gender pay gap and how to support women in the workplace. Through our candidate communities, ‘Mind the Gap’ and ‘Breaking the Glass’ campaigns we hosted events and webinars to discuss female leadership, work-life balance, female innovators, remote working and many other topics that support female progression. Since March, we pivoted our programmes online, which helped us accelerate deployment of our D&I action plan by expanding our reach and collaborating with a wider community of subject matter experts.

<table>
<thead>
<tr>
<th>Board of Directors of SThree plc</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>2</td>
</tr>
<tr>
<td>%</td>
<td>33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Managiers and directors</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>208</td>
</tr>
<tr>
<td>%</td>
<td>36%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other employees</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>1,069</td>
</tr>
<tr>
<td>%</td>
<td>53%</td>
</tr>
</tbody>
</table>

We are working to improve these numbers further by launching internal initiatives and programmes to support inclusion, flexible working and mentoring, and we have invested in the development of our current and future leaders as well as in technology and innovation.
United against racism

This year, people from across the world came together to stand united against racism. We have become united more than ever in creating a fair environment with greater accessibility and opportunities for all. Discrimination never has and never will have a place here at SThree. Since 2016 the SThree Foundation has funded, volunteered and supported programmes that empower people of all races and backgrounds, with access to quality STEM education and career development opportunities. We have worked to create accessible pathways into STEM careers for underserved communities because we know that great talent does not look, think and act alike.

We will continue to work with community partners, clients and candidates to build programmes in order to open up pathways into STEM careers for people from diverse backgrounds. We launched the first STEM Career Pathways programme in the USA in 2020, alongside a number of other interventions that empower people to access STEM careers.

Gender pay

As a business, enabling better representation of women and other diverse talent in STEM is central to our strategic objectives, and a key part of our diversity strategy. How we reward people on a global basis is integral to success in this area and with a sharp focus on narrowing our own gender pay gap, this allows us not only to attract the best people, but to keep the highest calibre of individuals with us long term.

Our five-point plan will enable us to fulfill our ambition in creating a diverse and inclusive environment, with the following activities focused on increasing female representation at senior level and reducing the gender pay gap:

1. Hire – develop hiring practices which are accessible and create opportunities for diverse talent.
2. Engage – promote a positive and inclusive work environment and work towards becoming an employer of choice.
3. Advance – recognise, develop and promote a broad range of talent.
4. Reward – provide reward structures that enable and support our focus whilst being fair and transparent.
5. Involve – work with our external communities and partners to encourage diversity in the workplace, particularly as the only pure-play STEM specialists.

In 2020, we saw an overall improvement in our gender pay gap. This was predominantly driven by successful initiatives and programmes launched within SThree to support flexible working, mentoring, and the development of our current and future leaders. This, in turn, led to an increase in the number of females in the business, particularly within our higher-salaried support services teams. However, we recognise that there is still work to do to ensure that the number of women within the trading division of our businesses and at the senior levels continues to rise.

Can investing in women help solve some of the world’s biggest problems?

It’s widely accepted that climate change, poverty, injustice, gender discrimination and banters to quality education are among the biggest challenges people face across the globe. But there is also a massive shortage of people who have the STEM skills to find or develop the answers to these issues which impact us all in some way.

What is most striking, however, is the huge lack of women in STEM jobs or studying STEM subjects.

According to the World Economic Forum, women make up around half of the world’s population, but are disproportionately featured across the STEM industries. How can we innovate and develop solutions to address huge global issues if we are not using the knowledge or intelligence of half of the population?

Explaining the under-representation of women in STEM

The lack of women in STEM is an issue that starts in childhood. Fewer girls choose to pursue STEM-related subjects into secondary and university education than their male peers. There is little incentive for talented women and girls to enrol in STEM education programmes. And a lack of confidence, inclusive cultures and female role models contributes to and solidifies the perception that the STEM industry is better suited to men.

As someone who started my career in technology, I was often the only female in the room and on many occasions, my opinions and ideas were not heard or held in the same esteem as my male colleagues. But on the flip side, some of the more progressive male leaders really helped me and provided opportunities to women who had masses of potential and who were brave enough to change the landscape in their own way.

So, how do we change the landscape?

Representation and role models matter, and we need to position STEM to young women and girls differently.

We need people, organisations, and businesses to be proactive in making space for women, to provide opportunities and give them the support they need to be successful.

I am really proud to see how SThree has helped fund the education of girls at the specialist STEM African Science Academy in Ghana. It is a real testament to how SThree lives its purpose. Since our partnership began in 2019, we have donated almost £170k to the school, while helping mentor and support the girls through university and giving them the chance to live their dreams of becoming engineers, scientists, and tech experts. The best part though is that many will go on to take what they have learned to give back and improve their communities across Africa, while making a dent in some of the biggest issues affecting the world.

Giving those girls the opportunity and helping them succeed is just a drop in the ocean when it comes to solving the world’s problems. But if that scheme, the motivations behind it and its successes, can be replicated across the world, it will go a long way to building the future in a diverse and exciting new way.

Great minds don’t think, look or act alike: why diversity and inclusion matter to us.”

Mark Dorman, CEO
Sustainability commitments

Empowering a sustainable future through STEM

Our purpose of ‘bringing skilled people together to build the future’ feels even more prevalent today.

We source, nurture and place STEM talent with clients who are solving complex world challenges. We play a pivotal role in building a sustainable future – connecting clients with talent who will contribute solutions to the UN Sustainable Development Goals.

We’re committed to building a sustainable future and the unprecedented events of this year have strengthened our resolve. We’ve spent time reviewing our approach and building our plans to grow our impact.

We partner with clients to build a future powered by clean energy and it is our aim to grow our renewables business to ensure the right talent is available for the transition to a low carbon economy.

We will reduce our carbon footprint by 20% by 2024 and continue to offset our emissions to be carbon neutral.

We will positively impact 150,000 lives by 2024 through delivering recruitment solutions and community programmes.

We will tackle inequality and diversify the industries we partner with through our STEM Career Pathways programme where we mobilise our candidate communities, clients and community partners to empower people from diverse backgrounds to become STEM professionals.

We will use our skills and knowledge to provide career support to people at risk of unemployment and underemployment. In 2020 we facilitated webinars, CV coaching, career planning, and many other interventions to help tackle employment inequality.

We will continue to realise our purpose by facilitating partnerships with all of our stakeholders to go beyond what is expected to achieve the SDGs.

ESG achievements in 2020

- 2,408 hours of volunteering to strengthen our communities
- 318 people accessing STEM programmes funded by the SThree Foundation
- 671 people have accessed our career support
- -56% reduction in our carbon footprint
- 15,764 lives positively impacted by SThree
Building a green future

Our carbon emissions in 2020 reduced by 56% due to the health crisis. During this time, we have learnt new ways of working which will ensure we are more efficient as a business. Our aim is to stabilise our emissions in 2021 and grow our ambition.

What we did

Our aim is to reduce our absolute carbon emissions by 20% by 2024, aligning our business with climate science.

Whilst we work to reduce our absolute emissions, we offset our full carbon footprint to ensure we are carbon neutral. We partner with specialists who use an innovative lives improved metric, which equates carbon emissions to social outcomes.

In 2020 we offset our emissions through funding a renewable energy social enterprise. The project finances the installation and maintenance of 99 MW of wind power in the Indian state of Gujarat whilst funding the education and training of females. The project offsets our emissions, supports our ambitions of a future fuelled by clean energy, whilst overcoming education inequalities.

Read more in our SECR report on pages 138 to 142

Building an inclusive workforce for the future

We understand the current and growing skills gap in STEM. We also understand that the STEM industries we partner with need to become more accessible and diverse to thrive. And we understand education and employment inequality is only being exacerbated by the health crisis.

What we did

We launched our first STEM Career Pathways programme in 2020 in the USA. We are working with an accredited tech training provider to empower people from underserved communities to gain qualifications.

We’ve mobilised our candidate communities to act as mentors to these students, our own colleagues to act as career coaches, and our clients to provide employment opportunities.

The programme with UrbanEd has enabled me to have a better direction. The mentoring programme is helping me with my career goal which is to obtain significant knowledge in AWS cloud, leading to being certified and obtaining a tech career, not just employment.”

Ibraheem Majekodunmi, UrbanEd student

The UN estimates that 1.6 billion people in the informal economy risk losing their livelihood as a result of the health crisis. We have expert knowledge of the employment market and we’re using this knowledge to provide career support to those at risk.

What we did

This year we worked with charity partners across the world who provide support to people at risk of unemployment and underemployment. We’ve delivered webinars, virtual events, one-to-one coaching and mentoring to strengthen employability skills. In 2020 over 870 people accessed our career support interventions.

One programme we supported was with Your Future Map, where we provided career coaching to first generation college students now entering the job market.

The most valuable part of the coaching was advice on being comfortable with my lack of experience in the tech world. I am wary about my own experience and that increases a lack of confidence in my own abilities. I just finished an interview with a firm, and I think it went pretty well. STthree’s advice made me feel more comfortable with myself.”

Your Future Map participant
RISKS

Our principal risks

The impact of COVID-19 has exacerbated many of our principal risks, heightening the importance of the Group’s risk control framework and our purpose-driven approach to risk, compliance, values, and culture.

Emerging risks are also reviewed by the Board and Risk & Compliance Committee, discussed with management and embedded within risk and strategic planning processes.

Connecting risk, opportunity and strategy

Risk mitigation helps SThree manage specific areas of the business. However, when brought into our day-to-day activities, successful risk management helps us to maximise our competitive advantage and deliver on our strategic pillars. Whilst the ultimate responsibility for risk management rests with the Board, the effective day-to-day management of risk is delegated to our leaders across the business, seeking at all times to maintain a prudent balance between safeguarding against potential risks and taking advantage of potential opportunities.

In the face of the COVID-19 health crisis, creation of an emergency working group of cross-functional leaders, led by the Head of Compliance & Risk, helped to successfully mitigate and manage much of the impact, allowing operations to continue through remote working, whilst ensuring employee, candidate and client safety were paramount. Whilst we have chosen not to show the COVID-19 global pandemic as a risk in its own right, we have shown its impact on each of the other key business areas.

Risk management structure

Our Enterprise Risk Management (‘ERM’) framework, processes and arrangements all help to ensure the ongoing monitoring of principal risks and controls by the Audit Committee and Board. Our organisational structure allows close involvement of senior management in all significant decisions, combined with clear and prudent delegations to align the Group’s interests with those of our various stakeholders. We believe that the effective management of risk is based on a mix of ‘top-down’ and ‘bottom-up’ approaches, which include:

- our strategy setting process;
- the quality of our people and culture;
- established procedures and internal controls;
- policies for highlighting and controlling risks;
- assurance via self-verification, internal audit and external audit;
- regular oversight by the relevant Committees; and
- reacting quickly to market conditions and the cycle.

We’ve integrated ERM processes into our overall strategy, with risk appetite measures reviewed by the Board based on an assessment of its key risks (including reputational risks) to ensure implementation of ERM policies, processes and mitigation actions. These are periodically assessed by the Board and Senior Executive Committee (‘SEC’) through a variety of measures, including KPIs.

The Group continues to operate in diverse geographies and specialist STEM sectors. As such, the Group’s strategic planning and review processes are periodically reviewed to ensure ongoing alignment of corporate, sector, regional and support goals within the strategic plan in order to mitigate risk.

The graph below shows the impact and probability of occurrence of each of our principal risks after mitigating controls (i.e. residual risk):

<table>
<thead>
<tr>
<th>Principal risks</th>
<th>Key:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Movement in the year</td>
</tr>
<tr>
<td></td>
<td>↑ more likely</td>
</tr>
<tr>
<td></td>
<td>↓ less likely</td>
</tr>
<tr>
<td></td>
<td>← lesser impact</td>
</tr>
<tr>
<td>Probability of occurrence</td>
<td></td>
</tr>
<tr>
<td>Likely</td>
<td>5</td>
</tr>
<tr>
<td>Possible</td>
<td>10</td>
</tr>
<tr>
<td>Unlikely</td>
<td>3</td>
</tr>
<tr>
<td>Rare</td>
<td>6</td>
</tr>
<tr>
<td>Negligible</td>
<td>1</td>
</tr>
<tr>
<td>Minor</td>
<td>7</td>
</tr>
<tr>
<td>Moderate</td>
<td>9</td>
</tr>
<tr>
<td>Major</td>
<td>4 2</td>
</tr>
<tr>
<td>Catastrophic</td>
<td>1</td>
</tr>
<tr>
<td>Impact</td>
<td></td>
</tr>
</tbody>
</table>
We believe that the effective management of risk is based on a mix of a ‘top-down’ and ‘bottom-up’ approach.

**Our approach to risk – governance and oversight**

Key risk governance and oversight is via the following:

- **Day-to-day risk management**
  - Identify, manage and report risks.
  - Directors, functions, business units.
  - Local risk registers.
  - Quarterly reviews.

- **Business and strategic risk management**
  - Plan and manage performance, address operational/sector/people and culture issues.
  - Regional and sector boards.
  - Senior Leadership Team (‘SLT’) oversight.
  - Six-monthly reviews.
  - At least six-monthly reviews by relevant Board/Committee.

- **Oversight and governance**
  - Risk identification, oversight, appetite, policy setting, reporting.
  - Internal controls, SThree plc Board and Audit Committee.
  - Internal Audit & Compliance functions, Risk & Compliance Committee, external specialists.
  - Six-monthly reviews and annual workshop.

**Risk management (see also principal risks above and Corporate Governance and Audit Committee reports)**

- **Aim to achieve a sensible risk/reward balance, assessed via risk map, including emerging and sustainability risks and in light of COVID-19.**

- The Group’s success is dependent on balancing risk and reward. To achieve this, it has integrated ERM processes into its overall strategy, with risk appetite and other measures reviewed by the Board.

**Compliance targets**

**Principal risk and compliance targets**

Both financial and non-financial KPIs are used throughout the Group to drive results and monitor activities. The principal non-financial indicators are listed in the table below, including how these apply in a strategic, remuneration or risk context. Further commentary is provided within the Chief Executive Officer’s and other Officers’ sections of this Annual Report, where appropriate.

<table>
<thead>
<tr>
<th>Risk and compliance</th>
<th>2020</th>
<th>2019</th>
<th>Definition and method of calculation</th>
<th>Strategic/Risk context</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk management</strong></td>
<td></td>
<td></td>
<td>Range of metrics varying by region, sector, deemed employment, misclassification or other relevant factors, including emerging and sustainability risks and in light of COVID-19.</td>
<td>Compliance processes are periodically reviewed to align with changing local legislation, guard against deemed employment or other risks and significantly mitigate risks in higher risk sectors. Insurance cover may also be obtained, where necessary.</td>
</tr>
<tr>
<td><strong>Compliance targets</strong> (by country/sector)</td>
<td></td>
<td></td>
<td>Range of metrics varying by region, sector, deemed employment or misclassification risk.</td>
<td>Contractor compliance in respect of client/contractor terms, rates/duration/types and ID collection, is monitored, plus there is zero tolerance on code of conduct breaches or fines.</td>
</tr>
<tr>
<td><strong>Environment/ESG</strong> (see also Responsible business on pages 60 to 63)</td>
<td>Specific initiatives, including L&amp;D, diversity and carbon footprint reduction, also in line with the latest CMD targets.</td>
<td>Specific targets, including diversity and carbon footprint reduction.</td>
<td>Steadily improving targets are being set to reduce the Group’s carbon footprint and make savings in energy expenditure. Measures are agreed strategically, but with local implementation parameters, based on specific office location, age etc.</td>
<td></td>
</tr>
</tbody>
</table>
Mitigation strategy
Risks can develop and evolve over time and their potential impact or likelihood may vary in response to changes in internal and external circumstances.

Risks and mitigation activities that are outlined below, whilst not exhaustive nor in any order of priority, are those which could have a material adverse effect on the implementation of our strategic priorities, our business, financial performance, cash flows, liquidity, shareholder value as well as on other key stakeholders, including colleagues, clients and candidates, and reputation.

Change in risk
- Increased
- Decreased
- No change

Mitigating factors and controls
The Group is well diversified in its operations across geographies, sectors, and mix of Permanent/Contract business. Contract is more resilient in less certain economic conditions than Permanent and also provides a counter cyclical cash hedge working capital release of circa £10k per contract finisher in the event of a decline in business.

Background/context
The performance of the Group has a relationship and dependence on the underlying growth of the economies of the countries in which it operates, in so far as it impacts client and candidate confidence. The recruitment sector, in particular, is highly cyclical and suffers from a lack of visibility which can make even short/medium-term planning or target setting difficult. The COVID-19 health crisis had an immediate, significant and materially negative impact on the global economy and our business, with all regions in which we operate being impacted. Economies have contracted and governments implemented varying degrees of public lockdown measures. Even when restrictions are lifted, businesses are subject to further measures such as quarantine and social distancing in order to control the transmission of the virus, which continues to impact the Group economically.

Change from last year
- Up
- Down
- No change

Link to strategic pillar
- Our position
- Our platform

02 Competitive environment and business model
Competitors and disruptive technologies/business models taking market share and putting pressure on margins.

Background/context
The Group faces ongoing competitor risk in its key markets, where there is also strong competition for both clients and candidates. Increasing use of social media for recruitment and a trend towards outsourced recruitment models, with associated margin pressures, can also adversely impact. The commercialisation at scale of a disruptive technology or other innovation by either current or new competitors could threaten the Group by challenging the viability of the current business model and therefore the ability to sustain revenue and profit.

Mitigating factors and controls
Geographies/sectors are aligned with our core strategy and evolving business models or offerings to add greater value.

Investment in online presence and partnering with LinkedIn and Zing to improve customer and client experience.

Appropriate innovation to factor in market developments and introduce structured creativity, so as to help guard against the risk of disruptive technology and position the Group as a disruptor itself. NPS tracking to improve focus on customers/targeting and add greater value.

Increasing regulatory and compliance requirements on Contract, as well as sustained uncertainty over Brexit, are continued barriers to entry. The impact of COVID-19, with reduced levels of business in many sectors, has potentially exacerbated this risk, albeit providing medium to long-term opportunities for those organisations, such as SThree, which are well positioned and well financed to capitalise on these improving sequential trends.

Change from last year
- Up
- Down
- No change

Link to strategic pillar
- Our position
- Our markets

03 Commercial relationships and customer risk
Some customers may be unable to fulfil financial obligations, resulting in the write-off of debts.

Background/context
The Group benefits from close commercial relationships with key clients, predominantly in the private sector, and is always subject to the risk that some customers might be unable to fulfil obligations.

In parallel, there is also a stronger focus on dispute management, including continuous improvement, under a designated team focused on fast resolution of disputes and more proactive collections, in advance of the due date, to better support mitigation of risks across the receivables ledger. This allows faster visibility of any higher risk customers much earlier, allowing for swift business decisions to be made to reduce any potentially adverse impact.

Change from last year
- Up
- Down
- No change

Link to strategic pillar
- Our position
- Our platform
R I S K S  c o n t i n u e d

04 Contract risk

With larger global service arrangements, there may be demand for more onerous contract terms that can increase the Group’s risk exposure. The demand is somewhat in line with market conditions, the competitive nature of our industry, and our clients’ general desire to reallocate the burden of risk.

Background/context

Certain clients increasingly require more complex contractual arrangements. The placing of temporary workers generally represents greater risk for the organisation than Permanent placements. This risk sometimes increases in jurisdictions underpinned by a culture of litigation as opposed to regulation.

Mitigating factors and controls

Management seek to contain risks when negotiating contracts and ensure that the nature of risks and their potential impact is understood. Contract approval processes with exceptions to standard terms, such as liability or insurance, require senior sign-off, as defined in the Group’s authority matrix. This process is supported by the Legal department and overseen by a Compliance function and the Risk & Compliance Committee, now expanded into the key regions.

We generally place responsibility for supervision and control of contractors directly with the client, including the acceptance of liability for any acts, defaults or omissions, and wherever possible we try to exclude liability for any consequential loss.

Our global legal team has the depth of knowledge and experience to enable them to advise the business on the level of risks posed by non-standard contracts.

Assurance work is undertaken by the Group internal audit team to monitor compliance, especially in higher risk sectors such as Energy.

For risks that cannot otherwise be mitigated, insurance cover is purchased where appropriate.

Change from last year Link to strategic pillar

Our position
Our platform
Our people

05 Foreign exchange translation (‘FX’)

A significant adverse movement in FX rates may reduce profitability.

Background/context

The Group has significant operations outside the UK and is consequently exposed to foreign exchange translation risk due to movements in exchange rates.

Mitigating factors and controls

The Board annually reviews the Group’s treasury strategy to ensure that it remains appropriate. Whilst the Group’s treasury department proactively monitors transactional FX exposures to ensure that they are minimised, translational impacts of movements in the relative value of GBP are not hedged.

Change from last year Link to strategic pillar

Our position
Our platform
Our people

06 People, talent acquisition, and retention

High attrition rates, leading to the loss of key talent, or a failure to attract new talent, could impact our performance by reducing profitability and slow our growth.

Background/context

The Group is reliant on its ability to recruit, train, develop, and retain high-performing talent in order to meet its growth strategy. Failure to retain talent that possesses experience and the right existing skillsets, in addition to failing to attract and develop future talent and potential, will adversely affect the Group’s performance. At the same time, the Group’s business model demands flexibility to expand or consolidate, depending on the economic environment.

High attrition, or the inability to attract key talent, can also impact the manager and leadership succession pipeline, leading to weaker bench strength in terms of breadth of experience from within or outside of SThree. As markets improve, the risk of attrition is likely to increase and the drive for attracting talent will become increasingly competitive. Some underlying issues, such as low female or minority representation at team leader and management level, or our ability to support the health and wellbeing of our people, could also expose the Group to reputational risk or a lack of diverse thinking.

Mitigating factors and controls

Use of skills matrices to identify competency gaps. Targeted recruitment to introduce new capabilities. Structured induction and onboarding programmes and career development with ongoing training and competitive pay/benefits structures, linked to performance across sales and non-sales. Appropriate use of equity to reward relevant individuals, including more flexible use of LTIPs via RSUs.

Continued focus on engaging and developing key managers to ensure succession planning through effective deployment of a new talent and succession framework. Training and development programmes to support expansion, whilst also providing a rewarding and challenging career with clear career pathways defined.

Strong focus on the development of our people, supported by the effective deployment of ‘me@work’ to create structured development plans and assist in facilitating more rewarding careers.

A strengthened focus on employee engagement through the use of eNPS and a broader, more holistic delivery of our employee engagement strategy and approach. Development of an ambitious Health & Wellbeing strategy, including the launch of EHRVE, to ensure colleagues have the support they need to maintain positive working practices across key areas of focus.

Rollout of an ambitious flexible working approach, supported and enabled by technology, in direct response to COVID-19, underpinned by refreshed people policies to enhance flexibility and remote working.

A focused approach to the development and progression of our female colleagues in SThree. Continued offering of Identify, a programme to develop our future female leaders, in addition to strengthening our wider focus on diversity and inclusion across gender, nationality, age and race through the establishment of programmes and use of data to drive the focus and decision-making.

In general, through the course of 2019, we saw a gradual reduction in attrition rates. However, since the start of 2020, we have seen these rates gradually increase (in particular for colleagues with one to two years’ service) and therefore we continue to attempt to lower these as part of our overall strategic objectives.

We continue to monitor and provide support in relation to the impact of Brexit on our people plans for EU and UK colleagues. Hence, we have created a Global Diversity, Inclusion & Engagement Business Partner role to lead this activity and support our succession plans as well as the Employee Engagement NED.

Change from last year Link to strategic pillar

Our position
Our platform
Our people

Annual Report and Accounts 2020 SThree plc
07 Information technology and cyber risks

A serious system or third party disruption, loss of data or security breach could have a material impact on the Group’s operations, project delivery and/or ability to meet cyber/data protection obligations.

**Background/context**

The Group is reliant on delivering its service to clients through existing technology systems and on completing key internal projects via certain third party technology specialists.

A malicious cyber-attack which compromises the defences of a third party provider or SThree system could pose significant operational disruption to SThree and/or result in the loss of sensitive data, thus damaging reputation. The increasing prevalence of cyber-attacks globally, including in our sector, highlights the risks in this area.

**Mitigating factors and controls**

The Group’s technology infrastructure is regularly reviewed to ensure it has capacity to cope with a major data or system loss or security breach. As a result of increasing risks in this area, we continue to invest in security systems and penetration testing to identify potential vulnerabilities, having also previously engaged PwC to undertake a cyber and IT security audit in November 2018. As a result of this audit we have completed improvements in strategy, access controls, vulnerability testing and patch management with further improvements ongoing. Business continuity arrangements are also being reviewed.

08 Data processing

A serious data issue could expose the Group to potential legal, financial, and reputational risk.

**Background/context**

The Group routinely works with confidential, sensitive and personal data across several countries under a variety of laws and regulations. Introduction of the General Data Protection Regulation (‘GDPR’) led to the Group implementing significant changes to our collection and processing activity from May 2018.

**Mitigating factors and controls**

Policies and procedures for handling and storing sensitive, confidential and personal data across the Group were updated in response to the GDPR changes, and the data privacy landscape continues to be monitored by our cross-functional privacy team to ensure compliance with GDPR and applicable data protection legislation. Where data protection and privacy legislation allow, email monitoring is undertaken to address areas of concern and to protect confidential information and intellectual property.

To further ensure that sensitive data is managed, stored and processed effectively, we are initiating regular reviews of data policy, process and procedure as well as the underlying technical controls that are required to maintain a robust position from a data security perspective. These reviews are factored into a six-month rolling cycle under formal governance processes. The first of these reviews has now commenced.

Technology systems and providers continue to be periodically reviewed to ensure they remain effective and compliant. We continue to monitor developments in data processing following completion of the Brexit transition period and pending finalisation of agreed processes for data transfers between the UK and EU, although we do not expect any material impact on the Group’s business.
09 Compliance

Non-compliance with laws or regulations can lead to increasingly heavy fines/penalties which could expose us to potential legal, financial or reputational risk.

Background/context
The specialist recruitment industry is governed by increasing levels of regulation/compliance, which vary from country to country and market to market. This includes employment laws or regulations specific to specialist business sectors or temporary workers, which necessitate pre-employment or independence checks and which may increase the Group’s exposure to potential legal, financial or reputational risk.

Changes in legislation, such as in the UK (IR35) and the Netherlands (DBA), provide both risks and opportunities and help to drive further demand for added-value services, such as our ECM model.

As employment laws are tightened, this creates both risks and opportunities. The Contract market is generally more heavily regulated and changes in legislation may impact the Group. Policies, compliance, onboarding processes and systems therefore need to reflect specific market or sector needs and best practice to meet legal or other requirements and control risks, with our processes and systems being adapted accordingly. The Internal Audit function carries out regular reviews to provide assurance that processes are being followed correctly and controls/systems function effectively.

Increasing regulatory pressure, including that arising from the OECD’s Base Erosion and Profit Shifting project, is monitored and as member states implement recommendations into their domestic legislation, our compliance obligations follow. Our tax strategy is designed to manage risks in this area and further details are published on our website.

Mitigating factors and controls
The Group is committed to meeting its legal and regulatory responsibilities and continues to strengthen its training programmes, internal controls, audit, compliance and other processes with respect to legal and contractual obligations, particularly in higher risk sectors such as Energy. Our growing ECM offering is a key mitigator of these risks.

10 Strategic change management

The inability to manage or effect strategic changes efficiently within the organisation, causing badly delivered projects and/or adverse financial impact.

Background/context
The Group has embarked on significant strategic projects and initiatives and must continue to do so, in order to achieve greater scale and drive performance. Key historical learnings from these initiatives have highlighted the need for greater investment in change management resource.

Mitigating factors and controls
During 2019 the Group reviewed its strategic change management capability and created the Strategic Management Unit (“SMU”) team, with appropriate resource as well as project governance sub-groups to oversee projects and post-project appraisal processes.

This has led to the creation of well managed workstreams and much improved PMO capability to create and take forward separate simultaneous projects as part of our strategic implementation plans, all of which have been further adapted in light of the COVID-19 health crisis.

Consideration is given to values and cultural change within change management programmes. Organic versus inorganic growth, including M&A, where this would improve the speed of growth or open up a new business stream, are also key factors.
Going concern statement
The Directors confirm that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. This confirmation is made after having reviewed assumptions about the future trading performance, capital expenditure, working capital requirements and available funding facilities contained within the Group’s five-year plan. The Directors have also considered the principal risks in the business, credit, market and liquidity, including forecast covenant compliance, as well as the other matters discussed in connection with the viability statement below. Further stress testing has been carried out to ensure the Group has sufficient cash resources and complies with bank covenants to continue in operation for at least 12 months from the date of signing these financial statements. This stress testing involved severe but plausible scenarios of the shape and severity of economic consequences of enforced lockdown restrictions on the aggregate demand for the Group’s services, deterioration in credit risk and days sales outstanding, partially offset by mitigating cost reduction actions. The key assumptions of these severe but plausible scenarios linked to certain principal risks are shown below.

Scenario 1:
The COVID-19 global health crisis and the impact on the global economy have been considered. In this scenario we assume that sales activity in the first half of 2021 is significantly impacted, being down 7% versus H1 2020, the period when the majority of our markets went into lockdown and were significantly impacted in the early stages of the health crisis. Under ‘Scenario 1’ the Group forecasts to be in a strong cash position throughout 2021 and Q1 2022 with significant headroom against its banking covenants. Following this period, it is assumed that there is recovery, and the Group returns to a more normal trading performance in 2022.

Scenario 2:
Under ‘Scenario 2’ we extended the impact of COVID-19 with an additional wave of lockdown restrictions and demand reductions for the period from August to the end of November 2021. Sales activity for Q1 and Q2 mirror the performance of ‘Scenario 1’. The Q3 and Q4 impact is further offset by proportionate mitigating cost reduction actions. Under ‘Scenario 2’ the Group forecasts to be in a strong cash position throughout 2021 and Q1 2022 with significant headroom against its banking covenants. Following this period, it is assumed that there is recovery, and the Group returns to a more normal trading performance in 2022.

Viability statement

Assessment of prospects
The Directors continue to believe that the prospects for the Group are favourable in the medium to long term. The Group’s business model has been tested in the current year of increased uncertainty and challenging market conditions and has been found to be effective and resilient. The Board considers that:

• our focus on two long-term secular trends (STEM and flexible working);
• leading position in key STEM markets;
• diversification by sector and customer;
• investment in market leading technology to increase operational capabilities;
• a strong financial position with total accessible liquidity of £154.9 million at 30 November 2020;
• future operational performance; and
• high effectiveness in mitigating principal risks offer solid foundations and opportunities to support sustainable future growth.

Key assumptions and related viability period
The Board adopts a well-established data-driven planning process, to enable it to make well-informed strategic decisions, and thus to optimise SThree’s resilience and create sustainable value for all stakeholders we serve.

In 2020, the Board of Directors reviewed the Group’s strategy and refined its priorities in response to the rapidly evolving market conditions and changes in supply and demand chain. Using scenario planning and bottom-up estimates of demand, the Board carried out the assessment of the Group’s viability over a rolling five-year period. The financial projections were based on assumptions, including the following:

• key macro-economic data that could impact staffing activity and demand for our services and consequently our revenues and net fees;
• headcount plans and our ability to dynamically change hiring decisions and other operational spend in the light of trading conditions;
• yield per consultant;
• strengthening of competitors or disruptive technology that could impact our margins;
• changes in the Group’s working capital levels;
• movements in foreign currency rates and interest rates; and
• dividend per share.

The Board determined that the viability period of five years remains the most appropriate as it is consistent with:

• the time period used for our strategic plans, including our internal periodical cash flow projections;
• the time horizon used in presentations for the investor community;
• the full contractual length of the Group’s committed credit facility; and
• the evaluated potential impacts of our principal risks.

Assessment of viability
Using the quantitative output of the Group’s long-term planning activity, the Board also assessed qualitatively the established processes and operational capabilities across all Group functions, including the CRM framework and liquidity management. The assessment provided a robust basis for confirmation of the Group’s ability to continue operations and meet its obligations as they fall due over the period of assessment.

Viability statement
Based on the assessment of the Group’s prospects, resilience of the business model and strategy, the Directors confirm that they have a reasonable expectation that the Group will have adequate financial resources to continue in operation and meet its liabilities as they fall due over the five-year period ending 30 November 2025.

In making this statement, it is recognised that not all future events or conditions can be predicted, and future assessments are subject to a level of uncertainty that increases with time.

1. A peak cash month is a month (or months) where our cash balance is at its highest point during the year. A trough cash month is the month (or months) where our cash balance is at its lowest point during the year.
Our purpose

‘Bringing skilled people together to build the future’

See Our purpose and strategy on pages 12 to 13

Our culture, values, and policies

Culture and values

Our operating principles and Code of Conduct provide the foundations on which SThree’s standards are built. Our operating principles represent the qualities and behaviours we wish to see demonstrated throughout our business:

• Build trust.
• Care then act.
• Be clear then aim high.

See Our purpose and strategy on pages 12 to 13

Our policies and procedures

Employees

• Code of Conduct.
• Health and safety policy.
• Bullying and sexual harassment policy.
• Whistleblowing policy.

See Our purpose and strategy on pages 12 to 13

Human rights

• Code of Conduct.
• Equal opportunities policy.
• The Company’s Modern Slavery Act Statement.

See Our purpose and strategy on pages 12 to 13

Social matters

• Code of Conduct.
• ESG Impact Report and ESG Statement.
• Volunteering guidelines.
• Corporate giving and fundraising policy.
• Tax strategy.

See Our purpose and strategy on pages 12 to 13

Anti-bribery and corruption

• Code of Conduct.
• Anti-bribery and corruption policy.
• Corporate giving and fundraising policy.

See Our purpose and strategy on pages 12 to 13

Environmental matters

• ESG Impact Report and ESG Statement.
• Sustainability policies.

See Our purpose and strategy on pages 12 to 13

Governance and oversight

Our Board is responsible for the long-term success and the delivery of strategic and operational objectives. It monitors the effectiveness and reviews the implementation of all our sustainability and operational policies, regularly considering their suitability, adequacy, and effectiveness. Any improvements identified are made as soon as possible.

This ensures our people have access to any additional information and support they may require, including regarding human trafficking, forced labour, servitude, and slavery.

See Thematic spreads on pages 4 to 11
See Strategy in action – pillar 4 on pages 54 to 59

Our response

To build and deliver on our unique position as the only global pure-play STEM specialist, we are ready to evolve in line with our markets and changing risks, and a wide range of stakeholder interests.

See Our purpose and strategy on pages 12 to 13
See Market overview on pages 24 to 27
See Stakeholder engagement on pages 30 to 37
See Responsible business on pages 60 to 63
See SThree plc’s SECR compliant Directors’ statement on pages 138 to 142

Delivering on our purpose

Our strategic pillars serve as guidelines of how we drive the business forward and reflect how we will build upon our unique position in the market.

1. Leveraging our position at the centre of STEM to deliver sustainable value to our candidates and clients.

See Our business model on pages 28 to 29
See Market overview on pages 26 to 27
See Stakeholder engagement on pages 30 to 37
See Responsible business on pages 60 to 63
See Risks on pages 64 to 75
See SThree plc’s SECR compliant Directors’ statement on pages 138 to 142

2. Create a world class operational platform through data, technology, and infrastructure.

See Our Board on pages 94 to 98
See Directors’ remuneration report on pages 112 to 114
See Responsible business on pages 60 to 63
See Key performance indicators on pages 40 to 41
See Chief Executive Officer’s statement on pages 18 to 21
See Chief Financial Officer’s review on pages 84 to 87
See Business review on pages 80 to 83

3. To be a leader in the markets we choose to serve.

See Our culture, values, and policies on pages 11 to 13
See Our response on pages 77 to 83

4. Find, develop, and retain great people.

See Our purpose and strategy on pages 12 to 13
See Strategy in action on pages 42 to 59

Driving value creation

Continue to achieve business efficiency and establish long-term and sustainable market position.

Ensure remuneration and long-term Group ambitions are closely linked.

See Our purpose and strategy on pages 12 to 13
See Responsible business on pages 60 to 63
See Key performance indicators on pages 40 to 41
See Chief Executive Officer’s statement on pages 18 to 21
See Chief Financial Officer’s review on pages 84 to 87
See Business review on pages 80 to 83

Non-financial information statement

The Group has complied with the requirements of s414CA and 414CB of the Companies Act 2006 by including certain non-financial information within the Strategic and Governance reports. The following table constitutes our non-financial information statement. It outlines how our Annual Report complies with relevant regulation on non-financial information together with references where the key content can be found.
EMEA excluding DACH

Net fees performance
Net fees have declined in EMEA excluding DACH, down 16%* YoY, primarily driven by the more challenging performance in the UK.

The Netherlands, our largest country in the region, has shown resilience – down 10%* in total – with strong performances in Engineering (up 20%*) and Life Sciences (up 6%*) reflecting the strategic focus of our teams. Our business in Dubai was down 11%; however, Banking & Finance has grown 13%*.

Average sales headcount
2020 934
2019 1,108

Net fees
2020 £118m
2019 £141m

Net fees mix

Division
- Contract: 36%
- Permanent: 48%

Sector
- Life Sciences: 14%
- Technology: 12%
- Engineering: 11%
- Banking & Finance: 10%
- Other: 5%

Countries/regions
- Netherlands: 30%
- UK: 23%
- France: 14%
- Belgium: 10%
- Dubai: 5%
- Other: 15%

Strategic progress
During the year we have focused on our customer relationships to deliver value and as a result have taken further market share in the Netherlands and the UK. Data has been the key driver behind our investment decisions, enabling us to identify changing customer demands and requirements, so we can then utilise our position of strength within STEM and flexible working to cater to those demands. We have supported our people throughout the year and introduced flexible working during the health crisis as their safety and wellbeing is our top priority. Diversity and inclusion programmes have been driven from the top and will continue into the new financial year.

DACH

Net fees performance
Our DACH region had a resilient performance in the year driven by significant growth achieved in Q1.

Whilst Q2 was impacted by COVID-19, the region showed good resilience in the second half of the year with a very strong performance considering the challenging macro-environment. Net fees were down 3%* overall YoY. Life Sciences has been the standout sector with growth of 4%* driven by an exceptionally strong Q1 and increased demand in Quality Assurance and Clinical Research and Development in the second half of the year. Switzerland, although a small part of the region, has shown strong growth of 31%*.

Average sales headcount
2020 786
2019 778

Net fees
2020 £106m
2019 £109m

Net fees mix

Division
- Contract: 24%
- Permanent: 76%

Sector
- Life Sciences: 16%
- Technology: 14%
- Engineering: 31%
- Banking & Finance: 8%
- Other: 33%

Countries/regions
- Germany: 36%
- Switzerland: 21%
- Austria: 4%
- Other: 43%
**USA**

**Highlights**
- 2%* net fees growth against a declining STEM market.
- 16%* Life Sciences growth driven by focus on high-value skill verticals and customer projects.
- Exceptionally resilient performance of the Permanent division with Q4 growth of 6%*.  

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>£77m</td>
<td>£77m</td>
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**Net fees performance**
The USA business has demonstrated its strength with net fees up 2%* for the year and up 11%* in Q4. This is a considerable achievement given the challenging macro-environment and this region has shown the benefit of investing in the right vertical niches and deeply understanding customer needs. Performance in our Life Sciences business has been particularly strong, with net fees growing 16%* in the year as we have seen robust demand in the second half of the year in Clinical Operations, Product Development and Quality Assurance. Our Technology business has grown 9%*, with increased demand in Mobile Applications & Software Development, and Engineering was up 15%*.  

- * In constant currency.

**Strategic progress**
The USA business has continued to focus on high-value skill niches resulting in an improvement in Contract gross margin since Q1 2018. During 2020 we have partnered with our clients to deliver critical projects ranging from digital transformation (mobile application development) to the development and deployment of COVID-19 vaccines, therapies and testing. We have increased our market share, whilst we stay true to our purpose and executing robustly on our strategy.

* In constant currency.

**Asia Pacific**

**Highlights**
- Focus on clients with urgent digital transformation demands.
- Built leadership capability in Japan and Singapore.
- Exited Australia in the final quarter.

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>£8m</td>
<td>£11m</td>
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</table>

**Net fees performance**
Net fees for our Asia Pacific (‘APAC’) region were down 26%* in the full year, primarily driven by the more transactional nature of our business in Japan, which is 94% Permanent. Our Japanese business was down 25%* in the year with all sectors impacted. Singapore net fees were down 29%* in the year, with business impacted across all our sectors.

* In constant currency.

**Strategic progress**
We have taken the opportunity this year to focus on our brand identity and value proposition, and – as a result – delivered targeted solutions for the success of our clients. In line with our strategy and purpose, we are strengthening our position in STEM, with a clear focus on Technology and Life Sciences. People remain at the heart of our business and we have reviewed our career programmes, provided robust digital learning and continue to support our people during this challenging period.

* In constant currency.
Navigating through and beyond the health crisis

When the health crisis struck, we responded thoughtfully and at pace. We protected liquidity and accelerated our scenario planning, all whilst working remotely. As the year progressed, the Group executed well and delivered a resilient performance, ahead of our expectations when COVID-19 first hit. Our strong balance sheet and immediately-accessible liquidity of £154.9 million gives us confidence and position us well for the future.*

Alex Smith
Chief Financial Officer

Income statement
Revenue for the year was down 9% on a reported constant currency basis to £1.2 billion (2019: £1.3 billion). Net fees decreased by 9% on a reported and 8% on a constant currency basis to £308.6 million (2019: £338.0 million). Despite the negative implications of the COVID-19 health crisis, the Group succeeded in improving underlying sequential performance in the second half and delivered a resilient result for the full year. The demand for contract staff accelerated and our contractor book stabilised due to new deal activity and improved contractor retention rates in the second half. At the end of the year, Contract represented 76% of the Group net fees in the period (2019: 74%). Our net fees margin increased to 25.7% (2019: 25.5%).

Operating expenses decreased by 1.2% on a reported basis, mainly attributable to a reduction in personnel and miscellaneous costs. The slowdown in the Group’s operations caused by the COVID-19 health crisis led to a pause in marketing spend, a decline in commissions and bonuses, and a temporary reduction in the Senior Executives’ salaries. The Group also benefited from the government job retention support schemes in selected countries. The Group’s financial results were impacted by certain significant items of expense and income:

- The impairment charge of £1.1 million was recognised for underperforming internally developed assets which were assessed as no longer recoverable in the course of normal operations.
- In response to the significantly changed economic environment and increased risk and uncertainty caused by COVID-19, we took steps to right-size the structure and strategy of certain local businesses. These changes will optimise SThree’s resilience in the future. A charge of £3.3 million was recognised in the current year.

- During the year, the Group took advantage of job retention schemes launched by a number of national governments, whereby a portion of salaries was reimbursed for furloughed staff. In 2020, the total benefit, including the associated payroll savings, was £1.2 million (2019: nil). The compensation was presented as a deduction in reporting the related staff expense. The Group decided to repay UK furlough money as performance exceeded the Directors’ expectations and is therefore not included in the above figure.

The reported operating profit was £31.8 million, down 45% YoY (2019: £57.7 million). The adjusted operating profit of £31.3 million (2019: £60.0 million) excluded exceptional income of £5.0 million in respect of the government grant receivable from Scottish Enterprise on the relocation of support functions and restructuring of senior leadership.

Our operating profit conversion ratio decreased by 6.8 percentage points to 10.1% on a reported basis and 7.7 percentage points to 10.1% on an adjusted basis (2019: reported 17.1% and adjusted 17.8%).² The YoY movement reflects the overall slowdown in the Group trading activity in the light of the health crisis, partially offset by cost management initiatives implemented during the year in response to the crisis.

In line with our revised strategy and ambition to be the number one talent provider in the best STEM markets in which SThree operates, we identified the highest opportunity to take market share, we ceased our operations in Australia. Its results were taken out of the above analysis for both the current and prior years. In 2020, the discontinued operation incurred an operating loss of £1.8 million (2019: break-even), including exit costs of £1.1 million.

Performance highlights for 2020 included:

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
<th>Variance</th>
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<tbody>
<tr>
<td><strong>Revenue (£ million)</strong></td>
<td>Adjusted¹</td>
<td>Reported</td>
</tr>
<tr>
<td>£1,202.6</td>
<td>£1,202.6</td>
<td>£1,324.7</td>
</tr>
<tr>
<td><strong>Net fees (£ million)</strong></td>
<td>308.6</td>
<td>308.6</td>
</tr>
<tr>
<td><strong>Operating profit (£ million)</strong></td>
<td>31.3</td>
<td>31.3</td>
</tr>
<tr>
<td><strong>Operating profit conversion ratio</strong></td>
<td>10.1%</td>
<td>10.3%</td>
</tr>
<tr>
<td><strong>Profit before tax (£ million)</strong></td>
<td>30.1</td>
<td>30.6</td>
</tr>
<tr>
<td><strong>Basic earnings per share (pence)</strong></td>
<td>12.9</td>
<td>14.2</td>
</tr>
<tr>
<td><strong>Proposed final dividend (pence)</strong></td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>**Net cash (£ million)**¹</td>
<td>49.9</td>
<td>49.9</td>
</tr>
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</table>

¹. Excluding the impact of £0.5 million in net exceptional income (2019: £2.3 million in net exceptional cost).
². Variance compares adjusted 2020 against adjusted 2019 to provide a like-for-like view.
³. Variance compares adjusted 2020 against adjusted 2019 on a constant currency basis, whereby the prior year foreign exchange rates are applied to current and prior financial year results to remove the impact of exchange-rate fluctuations.
⁴. Net cash represents cash and cash equivalents less borrowings and bank overdrafts and excluding leases.
Net finance costs
Net finance costs increased to £1.2 million (2019: £1.0 million), which was a result of the full drawdown of the RCF to ensure strong liquidity in the first half plus the adoption of the new standard IFRS 16 on leases.

Foreign exchange exposure
For 2020, the year-on-year movements in exchange rates between Sterling, the Euro and the US Dollar (the main functional currencies of the Group) provided a moderate net currency headwind to the reported performance of the Group, reducing our reported net fees by approximately £1.0 million and operating profit by £0.2 million. Exchange rate movements remain a material sensitivity. By way of illustration, an one per cent movement in annual exchange rates of the Euro and US Dollar against Sterling impacted our 2020 net fees by £0.8 million and £0.3 million respectively, and operating profit by £0.1 million and £0.3 million respectively. Our foreign exchange risk management strategy involves using certain derivative financial instruments to minimise the transactional exposure arising from currency fluctuations.

Income tax
The tax charge on the Group’s adjusted profit before tax was £11.7 million (2019: £15.9 million) for the year, representing an effective tax rate (‘ETR’) of 41.5% (2019: 26.9%). The ETR on the Group’s reported profit before tax was 41.1% (2019: 27.3%). The ETR on continuing operations was 39.0% before exceptional items and 38.7% after exceptional items. The Group’s ETR primarily varies depending on the mix of exceptional items and 38.7% after exceptional items. The Group’s ETR primarily varies depending on the mix of exceptional items and 38.7% after exceptional items.

Dividends
Due to the prevailing uncertainty caused by the COVID-19 health crisis, the Board did not propose to pay the 2020 interim dividend (2019: 5.1 pence). With underlying sequential improvements noted across the Group in the second half, and in the light of the Group’s continued, robust financial position, the final dividend has been proposed at 5.0 pence and will be subject to shareholder approval at the 2021 Annual General Meeting. Despite the improved financial performance of the Group, the Board remains cognisant of the heightened volatility facing the Group and will continue to keep the capital allocation policy under review.

Balance sheet
Total net assets increased to £285.5 million (2019: £191.6 million), driven by the excess of net profit over the reduced dividend payment, favourable foreign currency, offset by the adoption of IFRS 16 and share buy-backs. Our trade receivables (including contract assets) declined to £226.8 million (2019: £256.2 million) reflecting lower revenue and due to enhancements in credit risk management to preserve cash and provide greater clarity on the financial viability of the trade debtor book. Days sales outstanding remained level at 44 days (2019: 44 days).

Investment in subsidiaries (Company only)
Following the review of the recoverable amount of the Company’s own portfolio of investments, a total impairment loss of £13.2 million was recognised. It was mainly in respect of the UK operation, which experienced increased risk, uncertainty, and reduced economic activity caused by COVID-19.

After booking this impairment, the retained earnings were £87.2 million (2019: £122.0 million).

Tracker shares
Only an immaterial number of tracker shares were settled during the year as the annual buy-out process was postponed. In 2020 we settled the consideration in SThree plc shares (in functional currency) provided in a tracker share arrangement. In the prior year we settled vested tracker shares to a total consideration of £4.4 million in SThree plc shares, either by issuing new shares (2019: 475,738) or treasury shares (2019: 704,583). Consequently, the arrangement is deemed to be an equity-settled share-based payment arrangement under IFRS 2 Share-based payments. There is no charge to the income statement as initially the tracker shareholders subscribed to the tracker shares at their fair value. We expect future tracker share settlements to be circa £5.0 million per annum. These settlements may either dilute the earnings of SThree plc’s existing ordinary shareholders if funded by new issue of shares or will result in a cash outflow if funded via the Employee Benefit Trust.8

Liquidty management
In 2020, cash generated from continuing operations on an adjusted basis increased to £76.9 million (2019: £54.8 million). It represented the net result of reduced adjusted EBITDA offset by the release of working capital as the business slowed down. Strong margin to manage working capital in the face of the COVID-19 health crisis, reduced taxes paid and reclassification of rent payments to financing activities under the newly implemented standard, IFRS 16 Leases.

Capital expenditure increased to £5.4 million (2019: £4.6 million). The Group made only essential capital investments to support the ongoing pursuit of strategic priorities under the fast-evolving market conditions.

Income tax paid decreased to £10.5 million (2019: £12.9 million), and dividend payments reduced to £6.7 million (2019: £18.8 million) as a result of the withdrawal of the proposed final 2019 dividend. The Group paid £3.6 million in rent (2019: £14.6 million) and £0.4 million (2019: £0.9 million) in net interest cost in the year. The Group paid £2.0 million (2019: £2.5 million) for the purchase of its own shares to satisfy employee share schemes in future periods. Cash inflows of £0.9 million (2019: £0.3 million) were generated from Save As You Earn employee schemes. Foreign exchange had an immaterial impact.

8. For details on EBITDA, its definition and how it was calculated, refer to note 26 to the financial statements.
9. Free cash conversion ratio is an alternative performance measure used by the Group and defined as cash generated from operating activities after tax, net interest and rent payments, stated as a percentage of operating profit. For further details please refer to note 26 to the financial statements.
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 STthree 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.
- Strenthened 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.

STthree 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 Composition

### Board diversity
- Male: 11%
- Female: 89%

### Board tenure
- 0-3 Years: 12%
- 3-5 Years: 13%
- 5+ Years: 75%

### Board experience
- HR/Finance: 16%
- Engineering and Technology: 12%
- Media and Marketing: 12%
- Sales/Operations: 11%

### Board composition
- Non-Executive: 66%
- Chair: 14%
- Executive: 14%

## 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.

## Remuneration Committee
Responsible for the Group’s remuneration policy and the development/oversee of the Company’s remuneration policy. Leads discussions on Group employees’ remuneration and incentive arrangements that apply to the Group as a whole.
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.

## Nomination Committee
Regularly reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and overlay 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
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

## CFO
Responsible for:
- The financial aspects of the above

## Risk & Compliance Committee (‘R&CC’)
Assists the Group with its compliance and risk management priorities whilst also reviewing the Group’s internal control, policies and work and safety procedures.

## ESG (formerly CSR) Committee
Assists with setting guidance, direction and overseeing policies and progress on ESG and related activities.

## CEO/CFO
Responsible for:
- 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

## Chief Executive Officer
Responsible for:
- The Group’s strategy being reviewed, monitored and examined
- Monitoring operational and financial performance
- Assessing the governance, internal control 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

## Skills matrix

<table>
<thead>
<tr>
<th></th>
<th>James Bilefield</th>
<th>Anne Fahy</th>
<th>Denise Collis</th>
<th>Barrie Brien</th>
<th>Mark Dorman</th>
<th>Alex Smith</th>
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</tbody>
</table>
**Executive Directors**

**A. Audit Committee**

**Committee membership**
- N. Nomination Committee
- R. Remuneration Committee
- Chair

**Non-Executive Directors**

**Mark Dorman**
Chief Executive Officer
**Appointed:** March 2019

**Experience**
Mark Dorman was appointed STthree CEO in March 2019, following his successful tenure as Chief Executive of MandM Direct, the UK's leading direct-to-consumer clothing business. Mark has over 20 years’ experience of leading and transforming multi-channel retail and media businesses, working with private equity and multiple industries on their growth strategies. He previously served as Chief Operating Officer of TUI Travel plc, a company incorporated in Belgium.

**James Bilefield**
Chief Executive Officer
**Appointed:** October 2017

**Experience**
James Bilefield succeeded Clay Brendish as Chair in April 2018, having previously been Chair Designate and Senior Independent Director, from O2 joining the STthree 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 2006, where he currently serves on the Remuneration and Nomination Committees. James is also Non-Executive Director of Monsoyweatmarket.com Group PLC, where he is also a member of their Audit, Nomination, Risk and Remuneration Committees. Other appointments include McKinley & Company (Senior Advisor), Advert International (Industry Advisor) and Teach First (Trustee). James has spent over 20 years building successful digital and multi-channel businesses around the world. As an executive he managed the digital transformation of media groups, Conde 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.

**Alex Smith**
Chief Financial Officer
**Appointed:** May 2008

**Experience**
Alex Smith joined STthree 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.

**Anne Fahy**
Non-Executive Director
**Appointed:** September 2015

**Experience**
Anne Fahy was appointed to the STthree Board, the Nomination Committee and as Chair of the Audit Committee in October 2017, and the Remuneration Committee in April 2018. She is a former Member of the Senior Leadership teams of 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, she also co-founded the UK local information business, UpMyStreet, following an investment banking career at JP Morgan Chase.

**Denise Collis**
Non-Executive Director
**Appointed:** July 2016

**Experience**
Denise Collis was appointed to the STthree Board, the 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 of the British Heart Foundation. Prior to this, Denise was Group HR Director for 3 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 in EV, Standard Chartered plc and NBC. Denise is a Fellow of the Chartered Institute of Personnel and Development. She was appointed as STthree’s Employee Engagement (ED) 1 December 2018.

**Anne Hornby**
Group Company Secretary
**Appointed:** October 2006

**Experience**
Anne Hornby joined STthree 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. Anne has also headed the Group’s Legal department from 2013 to 2019.

**Steve Hornbuckle**
Group Company Secretary
**Appointed:** October 2006

**Experience**
Steve Hornbuckle joined STthree 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 has significant company secretarial experience, having held senior positions within a variety of listed companies, including Interlink Group plc, BPF plc, Kidde plc, Baltmac Group plc, London & Manchester Group plc and English China Clay plc. Steve is a Fellow of the CIA 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.sttree.com) are reviewed on an annual basis and comply 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 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.

<table>
<thead>
<tr>
<th>Director</th>
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<td>Alex Smith</td>
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<tr>
<td>James Birkfield</td>
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<td>Dominic Collis</td>
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<td>Anna Farley</td>
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<td>Bono Bean</td>
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</table>

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 also to take account of the interests of customers, employees and other stakeholders. The NEDs are all experienced and influential individuals and through their skill and experience, they contribute significantly to the effective functioning of the Board and its Committees. The Board 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 the 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 in and 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.sttree.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.sttree.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 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.
Key stakeholders | Why stakeholders are identified as key | How stakeholders and other matters are considered/impact | Examples of decision-making influences/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 care 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 transparent 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.

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 incentivise 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.

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 welcome 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). NPS or future consequences or planned actions.

Examples of decision-making influence/key impacts

In deciding to withdraw from Australia to focus on our top five care 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.

Stakeholders or candidate communities
Stakeholders or candidate communities

Employees or people
Employees or people

Candidates or candidate communities
Candidates or candidate communities

Clients or customers or suppliers
Clients or customers or suppliers

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.

View 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 welcome 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.
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 underline this role in an organisation that is absolutely committed to a culture where diverse talents are enabled to flourish.
**EMPLOYEE ENGAGEMENT continued**

<table>
<thead>
<tr>
<th>Key opportunities arising from employee feedback</th>
<th>Action taken during 2020 or planned for 2021</th>
</tr>
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<tbody>
<tr>
<td>Better segmentation of audiences for communication purposes and greater visibility of the Senior Leadership Team. More structure around celebrating success and morale boosting activity.</td>
<td>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’.</td>
</tr>
<tr>
<td>More openness around planned improvements to IT and operational infrastructure.</td>
<td>COO joined SThree in April 2020 with accountability for Technology &amp; Operations. Clear strategy being developed and implemented with regular updates to the Board, Senior Leadership Team and more broadly organisationally where relevant.</td>
</tr>
<tr>
<td>Continued focus on Diversity and Inclusion, with visible declarations of intent.</td>
<td>Acceleration of D&amp;I strategy with focus on target setting and data collection. 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.</td>
</tr>
<tr>
<td>Improved L&amp;D, particularly targeted at manager effectiveness and leadership development.</td>
<td>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.</td>
</tr>
<tr>
<td>Further guidelines on remote working and upskilling of managers, with more practical support for home working.</td>
<td>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&amp;S assessments (as an example).</td>
</tr>
<tr>
<td>Further work on levelling up the sales and non-sales groups around career paths, progression and market competitive reward.</td>
<td>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.</td>
</tr>
</tbody>
</table>

**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.

> 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.

Denise Collis
Non-Executive Director, Senior Independent Director
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.

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/refresher 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 demonstrate 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.

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

Full biographies are available on pages 92-93

The Committee meetings attended

2

James Blienfield (Chair) 2/2
Barrie Brien 2/2
Denise Collis 2/2
Anne Foyly 2/2

Barrie Brien 2/2
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 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.

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

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 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 auditor’s 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 practicalities 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 any improvements that are needed.
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 be built 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 ‘new’, 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 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 Collins 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 Collins 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 risk 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 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. Any services relate to the half-year agreed upon procedures and PwC Viewpoint regulatory (supervisory) updates, subscription, whilst net revenues generated to the Group through recruitment services provided to PwC as a client are not material.

AUDIT COMMITTEE CONTINUED

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.

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
• 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: £33,000).

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 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.
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 operational 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
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 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 and the implementation of the policy in 2020 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 (to 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 30.5p and 41.5p 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 12.3p, 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 our 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 outcome 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.

Denise Collis
Chair of the Remuneration Committee
22 January 2021

Committee meetings attended

Denise Collis (Chair) 4/4
James Bleasfield 4/4
Barrie Brien 4/4
Anna Falty 4/4

Full biographies are available on pages 92-93
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 outcome 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?

<table>
<thead>
<tr>
<th>Bonus – maximum potential 120% of base salary</th>
<th>Threshold</th>
<th>Maximum</th>
<th>Actual</th>
<th>Achievement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group adjusted operating profit (AOP) growth %</td>
<td>Flat</td>
<td>12.0%</td>
<td>-51%</td>
<td>0%</td>
</tr>
<tr>
<td>Free cash flow conversion ratio % (FCFCR)</td>
<td>68.2%</td>
<td>72.0%</td>
<td>178%</td>
<td>100%</td>
</tr>
<tr>
<td>Group revenue growth %</td>
<td>5.0%</td>
<td>8.5%</td>
<td>-10%</td>
<td>0%</td>
</tr>
<tr>
<td>Group net fees growth %</td>
<td>5.0%</td>
<td>8.0%</td>
<td>-9%</td>
<td>0%</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Metric</th>
<th>Threshold</th>
<th>Maximum</th>
<th>Actual</th>
<th>Achievement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS (adjusted) (for 50% of the award)</td>
<td>30p</td>
<td>41p</td>
<td>12.5p</td>
<td>0%</td>
</tr>
<tr>
<td>TSR (for 30% of the award)</td>
<td>Median</td>
<td>Upper quartile</td>
<td>19.3%</td>
<td></td>
</tr>
<tr>
<td>New product net fees between £11 million and £17 million (for 10% of the award)</td>
<td>£11m</td>
<td>£17m</td>
<td>£10.3m</td>
<td>0%</td>
</tr>
<tr>
<td>OIP conversion between 17.3% and 21.1% (split equally) (for 10% of the award)</td>
<td>17.3%</td>
<td>21.1%</td>
<td>9.5%</td>
<td>0%</td>
</tr>
<tr>
<td>Total award (% of maximum)</td>
<td>19.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Summary of total reward

<table>
<thead>
<tr>
<th>Reward component</th>
<th>CEO</th>
<th>CFO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Base pay £’000</td>
<td>£451.8</td>
</tr>
<tr>
<td>2019</td>
<td>Base pay £’000</td>
<td>£335.5</td>
</tr>
<tr>
<td>Total remuneration £’000</td>
<td>£500.2</td>
<td>£490.3</td>
</tr>
<tr>
<td>Total remuneration £’000</td>
<td>£629.1</td>
<td>£1,120.1</td>
</tr>
</tbody>
</table>

How we will apply the remuneration policy in 2021

Key reward component |
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Key features</td>
</tr>
<tr>
<td>Base salary and core benefits</td>
</tr>
<tr>
<td>Annual bonus</td>
</tr>
<tr>
<td>LTIP award</td>
</tr>
<tr>
<td>Shareholding requirements</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key feature</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 CEO figures relate to Mark Dorman, who served for part of the year</td>
<td></td>
</tr>
<tr>
<td>3  The Committee has reviewed this outturn and has noted that the FCFCR’s 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%.</td>
<td></td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Element</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum</th>
<th>Performance metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>Sufficient to attract, retain and motivate high calibre individuals.</td>
<td>Reviewed annually with any increases taking effect from 1 December.</td>
<td>Increases will normally be the equivalent to the average salary increase for employees, other than in exceptional circumstances.</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Benefits</td>
<td>Market competitive benefits package.</td>
<td>Including car allowance, private medical insurance, permanent health insurance, life assurance and housing allowance (if relocated).</td>
<td>Cost of insured benefits will vary in line with premiums. Other benefits will be at a level considered appropriate in the circumstances.</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Pension</td>
<td>To provide a competitive pension provision.</td>
<td>Individuals may either participate in a pension plan into which the Group contributes or receive a salary superseded in lieu of pension.</td>
<td>A Group contribution to a pension scheme or cash in lieu, at 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%).</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Element</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum</th>
<th>Performance metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual bonus</td>
<td>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.</td>
<td>Deferral into shares for one third of any bonus earned, which may be held for two years.</td>
<td>Dividends or dividend equivalent payments accrue on deferred shares, payable normally in shares.</td>
<td>Maximum bonus payment is 120% of annual salary.</td>
</tr>
<tr>
<td>Long Term Incentive Plan</td>
<td>Incentivises and rewards Executives for the delivery of longer-term strategic objectives and to reward substantial relative and absolute increases in shareholder value.</td>
<td>LTI award may be granted each year in the form of a conditional Stock Unit (&quot;RSUs&quot;). If a LTI award is not vested, the value of the RSUs is forfeited.</td>
<td>The maximum award is 150% of salary p.a. in normal circumstances, but may be 175% of salary in exceptional circumstances.</td>
<td></td>
</tr>
</tbody>
</table>

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.

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 20% 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

<table>
<thead>
<tr>
<th>Element</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>All-employee share plans</td>
<td>Support and encourage share ownership by employees at all levels.</td>
<td>HMRC approved SAYE and SIP participation is available to all UK employees, including Executive Directors, on similar terms.</td>
<td>In line with HMRC limits or lower limits specified by the Group from time to time.</td>
</tr>
</tbody>
</table>

Share ownership requirements

<table>
<thead>
<tr>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alignment of Executive Directors’ interests with those of investors.</td>
<td>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 at tax value from vested LTIP, deferred bonus or other share awards (after the expiry of any relevant holding period).</td>
<td>Not applicable</td>
</tr>
<tr>
<td>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.</td>
<td>Not applicable</td>
<td></td>
</tr>
</tbody>
</table>

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.

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 2016 with shareholder feedback incorporated into the policy approved at the AGM in April 2020.
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 at 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, 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:

<table>
<thead>
<tr>
<th>Element</th>
<th>Purpose and links to strategy</th>
<th>Operation</th>
<th>Maximum</th>
<th>Performance metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td>Attracts, retains and motivates high-calibre NEDs to provide experience, capability and governance in the interest of shareholders.</td>
<td>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.</td>
<td>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.</td>
<td>Obligation to perform satisfactorily and attend and contribute to meetings, assessed via Board effectiveness reviews.</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Director</th>
<th>Salary and fees £’000</th>
<th>Benefits £’000</th>
<th>Pension £’000</th>
<th>Total fixed pay £’000</th>
<th>Annual bonus £’000</th>
<th>Long Term Incentive Plan £’000</th>
<th>Total variable pay £’000</th>
<th>Other £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Dorman</td>
<td>451.8</td>
<td>19.5</td>
<td>22.6</td>
<td>493.9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,33</td>
</tr>
<tr>
<td>Alex Smith</td>
<td>334.9</td>
<td>27.3</td>
<td>47.8</td>
<td>410.8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>500.2</td>
</tr>
<tr>
<td>Anne Fahy</td>
<td>54.1</td>
<td>–</td>
<td>–</td>
<td>54.1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>54.1</td>
</tr>
<tr>
<td>Denise Collis</td>
<td>65.8</td>
<td>–</td>
<td>–</td>
<td>65.8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>65.8</td>
</tr>
<tr>
<td>James Bilefield</td>
<td>140.0</td>
<td>–</td>
<td>–</td>
<td>140.0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>140.0</td>
</tr>
<tr>
<td>Barrie Brien</td>
<td>44.8</td>
<td>–</td>
<td>–</td>
<td>44.8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>44.8</td>
</tr>
<tr>
<td>Aggregate emoluments</td>
<td>1,091.4</td>
<td>46.8</td>
<td>70.4</td>
<td>1,209.4</td>
<td>–</td>
<td>–</td>
<td>80.3</td>
<td>80.3</td>
<td>1,295.2</td>
</tr>
</tbody>
</table>

Notes:
1. Benefits comprise car allowance, medical cover and 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 £50k in relocation costs in relation to the relocation from the USA to the UK. In 2020, £26.7k was incurred, which relates to basic and professional fees. Justin Hughes’ relocation costs of £36.7k relate to an extended relocation to the USA.
2. 2020 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. The value has been calculated using a share price of £3.49, being the average share price over the last quarter of the year. As the market price of grant was £3.36, no value has arisen from the share price increasing.
3. 2019 LTIP awards relate to those granted in early 2016 vested in one tranche in February and June 2019, based on performance assessed over 2017 to 2019, also including the value of any related dividends. 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 FY18 financial year of £2.80. The actual share price on the date of vesting on 5 February was £3.64 and on 3 June was £2.65; these updated share prices have been used to update the LTIP values and the totals in the table above. Of these values, £2.72, £4.86 and £2.65 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 inaccuracy in the disclosure for the pro rata for joiners and leavers bonuses. This table combines the corrected 2019 bonus figures, which were the bonus amounts that were actually paid, as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Salary and fees £’000</th>
<th>Benefits £’000</th>
<th>Total fixed pay £’000</th>
<th>Annual bonus £’000</th>
<th>Long Term Incentive Plan £’000</th>
<th>Total variable pay £’000</th>
<th>Other £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Dorman</td>
<td>451.8</td>
<td>19.5</td>
<td>22.6</td>
<td>493.9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,33</td>
</tr>
<tr>
<td>Alex Smith</td>
<td>334.9</td>
<td>27.3</td>
<td>47.8</td>
<td>410.8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>500.2</td>
</tr>
<tr>
<td>Anne Fahy</td>
<td>54.1</td>
<td>–</td>
<td>–</td>
<td>54.1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>54.1</td>
</tr>
<tr>
<td>Denise Collis</td>
<td>65.8</td>
<td>–</td>
<td>–</td>
<td>65.8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>65.8</td>
</tr>
<tr>
<td>Justin Hughes</td>
<td>151.0</td>
<td>8.0</td>
<td>22.7</td>
<td>181.7</td>
<td>114.9</td>
<td>535.5</td>
<td>600.4</td>
<td>832.1</td>
</tr>
<tr>
<td>James Bilefield</td>
<td>130.0</td>
<td>–</td>
<td>–</td>
<td>140.0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>140.0</td>
</tr>
<tr>
<td>Barrie Brien</td>
<td>44.8</td>
<td>–</td>
<td>–</td>
<td>44.8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>44.8</td>
</tr>
<tr>
<td>Total</td>
<td>1,091.4</td>
<td>46.8</td>
<td>70.4</td>
<td>1,209.4</td>
<td>–</td>
<td>–</td>
<td>80.3</td>
<td>80.3</td>
</tr>
</tbody>
</table>

5. Similarly, the 2019 Long Term Incentive Plan figure in the table of Directors’ emoluments, and counting towards the Single Total Figure of remuneration, did not include the adjusted pre-IFRS CTB (Cost to Build) performance condition for 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 at 80%. The 2019 figures for the value of vested LTIP awards have now been restated to include the part of the award linked to the relative net fees performance condition on 80%, 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:

<table>
<thead>
<tr>
<th>Director</th>
<th>Personal objectives</th>
<th>Assessment of performance by Committee</th>
<th>Overall achievement (out of maximum 100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Dorman</td>
<td>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</td>
<td>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 CEO 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.</td>
<td>80%</td>
</tr>
<tr>
<td>Business development</td>
<td>Undertake assessment of M&amp;A strategy and build capability to enable delivery of agreed strategy</td>
<td>M&amp;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.</td>
<td>70%</td>
</tr>
<tr>
<td>Implement global operations</td>
<td>3 Year Plan to drive New Target Operating Model and deliver on Year 1 targets</td>
<td>Tools and processes introduced to optimise sales activity driving the Contract Order Book</td>
<td>70%</td>
</tr>
<tr>
<td>Portfolio Management</td>
<td>Achieve clear execution on portfolio management plans including expansion plan for USA</td>
<td>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.</td>
<td>75%</td>
</tr>
</tbody>
</table>
ANNUAL REPORT ON REMUNERATION CONTINUED

Director | Personal objective | Assessment of performance by Committee | Overall achievement (out of maximum 100%)
--- | --- | --- | ---
Alex Smith | Global finance organisation | • Target global finance operating model agreed | 50%
| | • People change/implementation plan in place | |
| | • Senior Global Finance Team recruitment underway | |
| | • Global grading/job levelling approach identified and implemented within agreed plan. | |

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.

50%

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 RIC.

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:

<table>
<thead>
<tr>
<th>EPS</th>
<th>Pay-out range</th>
<th>Actual performance</th>
<th>Vesting level</th>
<th>Vesting % of total LTIP award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 30.0p and 41.0p per share</td>
<td>25% – 100%</td>
<td>12.5p</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Total Shareholder Return (‘TSR’) for 30% of the award:

<table>
<thead>
<tr>
<th>TSR – Rank of the Company compared to the peer group</th>
<th>Pay-out range</th>
<th>Actual performance</th>
<th>Vesting level</th>
<th>Vesting % of total LTIP award</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSR performance between the median and upper quartile</td>
<td>63rd percentile</td>
<td>64.3%</td>
<td>19.3%</td>
<td></td>
</tr>
</tbody>
</table>

Strategic objectives for 20% of the award

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

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

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Number of shares granted</th>
<th>Number of shares vested</th>
<th>Number of shares lapsed</th>
<th>Value of shares based on grant price £</th>
<th>Value of shares attributable to share price growth £</th>
<th>Dividend equivalent additional shares</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alex Smith, CFO</td>
<td>143,521</td>
<td>27,685</td>
<td>115,836</td>
<td>98,836</td>
<td>n/a</td>
<td>2,723</td>
<td>80.2</td>
</tr>
</tbody>
</table>

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%.

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Base salary 2020 £’000</th>
<th>Increase from 1 Dec 2020 £’000</th>
<th>Base salary 2021 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Dorman, CEO</td>
<td>483.9</td>
<td>0%</td>
<td>483.9</td>
</tr>
<tr>
<td>Alex Smith, CFO</td>
<td>358.8</td>
<td>0%</td>
<td>358.8</td>
</tr>
</tbody>
</table>

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.
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.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Weighting</th>
<th>Measure</th>
<th>Sub-weighting</th>
<th>Link to strategy/notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group financial targets</td>
<td>80%</td>
<td>These are considered by the Committee to be the four most relevant financial KPIs for bonus purposes.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Adjusted operating profit 50% Operating profit is the key underlying measure of profitability used within the business.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Group net fees 15% Revenue less cost of sales. A broad indicator of the trading.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 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.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Group revenue 5% Revenue is a headline measure of income generation, used to assess the underlying financial performance delivered by management.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

Comparison, LTIP targets are summarised in the following table, for awards made in 2019, 2020 and 2021:

<table>
<thead>
<tr>
<th>LTIP weighting</th>
<th>EPS</th>
<th>TSR</th>
<th>Strategic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-2021</td>
<td>50%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>2020-2022</td>
<td>50%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>2021-2023</td>
<td>50%</td>
<td>30%</td>
<td>20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LTIP targets</th>
<th>EPS</th>
<th>TSR</th>
<th>Strategic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-2021</td>
<td>Between 35.5p (25% vesting) and 46.5p (100% vesting)</td>
<td>Between median (25% vesting) and UQ (100% vesting)</td>
<td></td>
</tr>
<tr>
<td>2020-2022</td>
<td>Between 38.6p (25% vesting) and 46.5p (100% vesting)</td>
<td>Between median (25% vesting) and UQ (100% vesting)</td>
<td></td>
</tr>
<tr>
<td>2021-2023</td>
<td>TSR condition to be unchanged EPS and Strategic (adjusted operating profit conversion ratio) to be considered by the Remuneration Committee 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.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
"Adjusted operating profit conversion ratio" refers to the following calculation:
1. Adjusted operating profit = Group operating profit before exceptional items and share options.
2. TSR condition to be unchanged. EPS and Strategic: (Adjusted operating profit conversion ratio) to be considered by the Remuneration Committee 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.

2.5 Non-Executive Directors (‘NEDs’)
NED base fees will remain the same for 2021:

<table>
<thead>
<tr>
<th>Role</th>
<th>2020 annual fee £'000</th>
<th>2021 annual fee £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>NED base fee (&lt;3 NEDs)</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Committee Chair (Audit and Remuneration)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>SID</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Employee engagement NED</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total (Articles of Association limit is £500k per annum)</td>
<td>326.5</td>
<td>326.5</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Director</th>
<th>Salary and fees £'000</th>
<th>Benefits £'000</th>
<th>Annual bonus £'000</th>
<th>Long Term Incentive Plan £'000</th>
<th>Pension £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gary Elden*</td>
<td>17.2</td>
<td>1.7</td>
<td>-</td>
<td>62.9</td>
<td>5.7</td>
<td>87.5</td>
</tr>
<tr>
<td>Justin Hughes**</td>
<td>174.7</td>
<td>11.5</td>
<td>-</td>
<td>53.4</td>
<td>25.6</td>
<td>266.2</td>
</tr>
</tbody>
</table>

Notes:
1. 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.
2. Pro-rated due to departure 1 July 2020.
3. 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 383.6p, being the average share price over the last quarter of the year. As the market price at grant 303p, no value is attributable to this award from the share price increase.
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’ outstanding awards 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 national £1 sum payable on vesting, exercisable between three and ten years from grant.

<table>
<thead>
<tr>
<th></th>
<th>Dates of LTIP grant</th>
<th>Market price at grant</th>
<th>Shares originally awarded</th>
<th>Shares vested (incl. rolled-up dividend shares)</th>
<th>Shares exercised</th>
<th>Remaining unvested at 30 Nov 2020 (incl. rolled-up dividend shares)</th>
<th>Gain on exercise</th>
<th>executive shareholding ratio in 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark Dorman</td>
<td>19/03/2019</td>
<td>287.00</td>
<td>248,258</td>
<td>712,500</td>
<td>– 19/03/2022</td>
<td>248,258</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>05/02/2023</td>
<td>375.00</td>
<td>193,562</td>
<td>725,859</td>
<td>– 05/02/2023</td>
<td>193,562</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>Alex Smith</td>
<td>01/02/2021</td>
<td>371.30</td>
<td>104,511</td>
<td>388,049</td>
<td>40,685</td>
<td>01/02/2014 Not exercised</td>
<td>40,685</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>02/02/2018</td>
<td>357.00</td>
<td>143,521</td>
<td>512,370</td>
<td>– 02/02/2021</td>
<td>143,521</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>30/01/2019</td>
<td>274.00</td>
<td>191,672</td>
<td>525,181</td>
<td>– 30/01/2022</td>
<td>191,672</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>05/02/2020</td>
<td>375.00</td>
<td>143,550</td>
<td>538,311</td>
<td>– 05/02/2023</td>
<td>143,550</td>
<td></td>
<td>2%</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Ordinary shares held at 1 December 2019</th>
<th>Ordinary shares acquired</th>
<th>Ordinary shares disposed</th>
<th>Ordinary shares held at 30 November 2020</th>
<th>Indirect interest (in LTIP或其他 awards)</th>
<th>Shareholding requirement (% of salary)</th>
<th>Shareholding (% of 2020 salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Dorman</td>
<td>4,150</td>
<td>–</td>
<td>4,150</td>
<td>441,820</td>
<td>200%</td>
<td>2%</td>
<td>–</td>
</tr>
<tr>
<td>Alex Smith</td>
<td>368,527</td>
<td>129,851</td>
<td>100,000</td>
<td>398,378</td>
<td>259,428</td>
<td>200%</td>
<td>293%</td>
</tr>
<tr>
<td>James Bilefield</td>
<td>10,000</td>
<td>–</td>
<td>–</td>
<td>10,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Anne Fahy</td>
<td>4,000</td>
<td>–</td>
<td>–</td>
<td>4,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Denise Collins</td>
<td>5,000</td>
<td>–</td>
<td>–</td>
<td>5,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Barrie Brien</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

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
### 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>CEO</th>
<th>CEO Total remuneration (£’000)</th>
<th>Annual bonus (% of maximum)</th>
<th>LTIP awards vesting (% of maximum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Russell Clements</td>
<td>1,295</td>
<td>77.4%</td>
<td>88.0%</td>
</tr>
<tr>
<td>2011</td>
<td>Russell Clements</td>
<td>1,264.9</td>
<td>56.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>2013</td>
<td>Gary Elden</td>
<td>752.8</td>
<td>44.3%</td>
<td>25.5%</td>
</tr>
<tr>
<td>2015</td>
<td>Gary Elden</td>
<td>1,284.9</td>
<td>92.8%</td>
<td>50.0%</td>
</tr>
<tr>
<td>2016</td>
<td>Gary Elden</td>
<td>1,058.5</td>
<td>56.4%</td>
<td>50.0%</td>
</tr>
<tr>
<td>2017</td>
<td>Gary Elden</td>
<td>852.2</td>
<td>54.6%</td>
<td>18.5%</td>
</tr>
<tr>
<td>2018</td>
<td>Gary Elden</td>
<td>1,064.0</td>
<td>73.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td>2019</td>
<td>Gary Elden (stepped down 18 March 2019)</td>
<td>1,228.9</td>
<td>76.2%</td>
<td>41.0%</td>
</tr>
<tr>
<td>2020</td>
<td>Mark Dorman</td>
<td>1,254.9</td>
<td>60.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

#### 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.

<table>
<thead>
<tr>
<th>Remuneration element</th>
<th>Percentage change 2019-2020</th>
<th>Average for all employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and fees</td>
<td>(4.9%)</td>
<td>(1.3%)</td>
</tr>
<tr>
<td>Other benefits 1</td>
<td>(2.5%)</td>
<td>(5.7%)</td>
</tr>
<tr>
<td>Annual bonus 2</td>
<td>(100.0%)</td>
<td>(2.0%)</td>
</tr>
</tbody>
</table>

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 calculations 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 on a full-time equivalent base pay dataset as at April 2020. This methodology was selected as the Committee believes this provides a more appropriate 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.

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Method</th>
<th>25th percentile pay ratio</th>
<th>Median</th>
<th>75th percentile pay ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Option B</td>
<td>23.1</td>
<td>21.1</td>
<td>11.1</td>
</tr>
<tr>
<td>2019</td>
<td>Option B</td>
<td>34.1</td>
<td>26.1</td>
<td>16.1</td>
</tr>
<tr>
<td>2018</td>
<td>Option B</td>
<td>39.1</td>
<td>24.1</td>
<td>20.1</td>
</tr>
</tbody>
</table>

The CEO pay ratio has 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.

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>£168.8m</td>
<td>£211.029m</td>
<td>(100%)</td>
</tr>
<tr>
<td>Remuneration paid</td>
<td>£209.4m</td>
<td>£213.029m</td>
<td>(100%)</td>
</tr>
</tbody>
</table>

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 final numbers restated reflecting Australia being treated as a discontinued operation.

### Section 4 - Governance

#### 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 attended 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 have 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

#### 4.3 Approval
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 or takeover 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.
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.

<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>Number of shares</th>
<th>Percentage shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>J O Hambro Capital</td>
<td>13,265,348</td>
<td>9.98%</td>
</tr>
<tr>
<td>IL Limited (Riyalit)</td>
<td>7,442,318</td>
<td>5.60%</td>
</tr>
<tr>
<td>Legal &amp; General Investment Management Limited</td>
<td>7,030,279</td>
<td>5.48%</td>
</tr>
<tr>
<td>HBOS plc</td>
<td>6,983,314</td>
<td>5.20%</td>
</tr>
<tr>
<td>Harris Associates LLP</td>
<td>6,575,093</td>
<td>5.17%</td>
</tr>
<tr>
<td>JPMorgan Chase</td>
<td>6,291,253</td>
<td>5.12%</td>
</tr>
<tr>
<td>Fidelity Management</td>
<td>7,011,061</td>
<td>5.07%</td>
</tr>
<tr>
<td>F&amp;I Management</td>
<td>6,104,400</td>
<td>4.82%</td>
</tr>
<tr>
<td>Allianz Global Investors</td>
<td>6,316,608</td>
<td>4.79%</td>
</tr>
<tr>
<td>Standard Life Investments Limited</td>
<td>5,845,830</td>
<td>4.75%</td>
</tr>
<tr>
<td>BlackRock, Inc.</td>
<td>6,325,195</td>
<td>4.42%</td>
</tr>
<tr>
<td>Franklin Templeton</td>
<td>5,722,371</td>
<td>4.37%</td>
</tr>
</tbody>
</table>

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 survey 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.
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 of 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 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.
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.
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.

Key recommendations

<table>
<thead>
<tr>
<th>Key recommendations</th>
<th>Summary</th>
<th>Disclosure</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>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.</td>
<td>Board and Committee structure</td>
<td>Pages 92-93</td>
</tr>
<tr>
<td>TCFD statement</td>
<td>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 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.</td>
<td>See our 2020 CDP response (C1.1)</td>
<td>Our website at <a href="http://www.sthree.com/en/investors/financial-results/">www.sthree.com/en/investors/financial-results/</a></td>
</tr>
<tr>
<td>Strategy</td>
<td>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).</td>
<td>See our 2020 CDP response (C2.3c)</td>
<td>Our website at <a href="http://www.sthree.com/en/investors/financial-results/">www.sthree.com/en/investors/financial-results/</a></td>
</tr>
<tr>
<td>Descriptive management’s role in assessing and managing climate-related risks and opportunities</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Describe the organisation’s related risks and opportunities assessed and managed in the context of climate-related risks.

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 a 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.

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.

### Metrics and targets

#### Disclosure of scope 1, scope 2 and scope 3 GHG emissions

We have committed to several targets regarding our society that reflect the importance we put on being a purpose-driven business:

- Reduce our absolute CO₂ emissions by 20% by 2024, against a 2019 base year.
- Offset our full global carbon footprint to achieve carbon neutrality.

#### SECR compliant Directors’ statement

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 disclosed our renewable energy transition, with the carbon intensity of our electricity consumption falling from 0.33 kg CO₂e/kWh in 2019 to 0.30 kg CO₂e/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.

### SECR achievements in 2020

- 56% reduction in annual emissions relative to 2019
- 33,433 tonnes of carbon offset since 2012
- 0.30 kg CO₂e/kWh carbon intensity of our electricity consumption falling from 0.33 kg CO₂e/kWh in 2019
Table 1 - Energy and carbon disclosures for 2020

<table>
<thead>
<tr>
<th>Emissions Source (CO₂e)</th>
<th>UK and offshore (excluding UK and offshore)</th>
<th>Global (excluding UK and offshore)</th>
<th>% change in total emissions (vs previous year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 - Natural gas</td>
<td>130</td>
<td>2</td>
<td>-64%</td>
</tr>
<tr>
<td>Leased transport</td>
<td>43</td>
<td>1,095</td>
<td>-33%</td>
</tr>
<tr>
<td>Scope 2 - Purchased electricity (market/location based)</td>
<td>84/212</td>
<td>1045/1181</td>
<td>-69%/63%</td>
</tr>
<tr>
<td>Other fuels</td>
<td>0</td>
<td>13</td>
<td>61%</td>
</tr>
<tr>
<td>Scope 3 - Water</td>
<td>7</td>
<td>34</td>
<td>-55%</td>
</tr>
<tr>
<td>Scope 3 - Business travel</td>
<td>517</td>
<td>1,454</td>
<td>-64%</td>
</tr>
<tr>
<td>Scope 3 - Paper</td>
<td>33</td>
<td>60</td>
<td>-92%</td>
</tr>
<tr>
<td>Scope 3 - Waste</td>
<td>20</td>
<td>41</td>
<td>-50%</td>
</tr>
<tr>
<td>Scope 3 - Electricity &amp; T&amp;D</td>
<td>16</td>
<td>59</td>
<td>-65%</td>
</tr>
<tr>
<td>Total tonnes of CO₂e (market based)</td>
<td>850</td>
<td>3,814</td>
<td>-56%</td>
</tr>
<tr>
<td>Total tonnes of CO₂e (location based)</td>
<td>978</td>
<td>3,950</td>
<td>-57%</td>
</tr>
<tr>
<td>Number of employees</td>
<td>786</td>
<td>2,323</td>
<td>-56%</td>
</tr>
<tr>
<td>Tonne of CO₂e per employee</td>
<td>1.08</td>
<td>1.64</td>
<td>-48%</td>
</tr>
<tr>
<td>Total energy consumption used to calculate emissions (kWh)</td>
<td>1,548,861</td>
<td>7,428,096</td>
<td>-43%</td>
</tr>
</tbody>
</table>

1. This work is partially based on the country-specific CO₂ 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” (Draft, 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.

Opinion

In our opinion, SThree plc’s Group financial statements and Company financial statements (the ‘financial statements’):
• give a true and fair view of the state of the Group’s and of the Company’s affairs as at 30 November 2020 and of the Group’s profit and the Group’s and the Company’s cash flows for the year then ended;
• have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
• have been prepared in accordance with the requirements of the Companies Act.

We have audited the financial statements, included within the Annual Report and Accounts 2020 (the ‘Annual Report’), which comprise: the Consolidated and Company Statements of Financial Position as at 30 November 2020; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flow, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (‘ISAs (UK)’) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 December 2019 to 30 November 2020.
Our audit approach

Overview

• Overall Group materiality: £2.35 million (2019: £2.95 million), based on 5% of an average of profit before tax and exceptional items for the three years ended 30 November 2018, 2019 and 2020.
• Overall Company materiality: £1.2 million (2019: £1.5 million), based on 1% of net assets.
• The whole Group was audited by one UK audit team working remotely with the centralised support function teams in London and Glasgow which are responsible for processing the transactions of the whole Group. Our audit was therefore conducted solely from the UK.
• In total we conducted audit work on 13 components in seven countries. We conducted full scope audits on four of these components and the audit of specified balances for the remaining components.
• The 13 components where we performed audit work accounts for 84% of Group revenue and 100% of profit before tax and exceptional items.
• Accrued income cut-off (Group)
• Impairment of plc investments in UK subsidiaries (Company)
• Impact of COVID-19 (Group)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and indirect taxes impacting the different territories in which the Group operates and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and Listing Rules. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to achieve desired financial opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and financial statements such as the Companies Act 2006 and Listing Rules. We evaluated management’s incentives and laws and regulations related to employment laws and indirect tax matters.

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

Accrued income cut-off (Group)

The Group’s accounting process means that there is a material amount of accrued rather than billed contractor revenue at each period end within contract assets (‘accrued income’).

At year end the accrued income, disclosed as contract assets, was £57.8 million (2019: £65.7 million). This estimate is a system-generated amount calculated by using standard contractor rates and estimated hours for placed contractors and a historic ‘shrinkage’ calculation.

Contract revenue represented 94% (2019: 93%) of the Group’s revenue during the year.

We focused on this area due to the material quantum of accrued income, the estimation uncertainty and the potential for variances arising from applying the historic ‘shrinkage’ percentage to the full potential value of unsubmitted timesheets.

Refer to Trade and other receivables (note 13 of the financial statements), Critical accounting judgements and key sources of estimation uncertainty (note 1 of the financial statements) and ‘Audit Committee report’.

There are inherent limitations in the audit procedures described above and the further removal non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, we less likely would we become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

Accrued income cut-off (Group)

For Contract revenue, including accrued income, we:

Tested the automated controls in the system to verify the accuracy of the accrued income calculation based on contracted hours and billing rates.

Tested the business process controls supporting the accuracy of rates and hours input into the system.

Reviewed a sample of accrued revenue and performed a recalculaion of the accrual based on timesheets submitted and contract rates.

Performed detailed testing over the prior years ‘shrinkage’ calculation by agreeing balances to timesheets submitted and/or billing raised subsequent to the 2019 year end. In addition, we have performed a calculation applying the 2019 ‘shrinkage’ percentage to the year-end accrued income, and compared this to the 2020 shrinkage adjustment. We have also performed sensitivity against the current year accrued revenue balance. In both instances, this showed that any variance would not be material.

We reviewed management’s disclosed sensitivity and performed our own sensitivity analysis.

We verified that accrued income was not older than three months in age in accordance with Group policy and examined the ageing profile of the balance, concluding that management were following their accounting policies in this area.
**Key audit matter**

**Impairment of plc investments in subsidiaries (Company)**

The Company holds investments in a number of UK and overseas subsidiaries with a total carrying amount of £200.1 million at 30 November 2020. In recent years the UK business has experienced challenging economic conditions and declining performance which continued into 2020, indicating a risk of impairment to the carrying value of the UK investments. In the period 2016 to 2019 impairment of £136.3 million has been recognised. In the current year, management’s impairment test resulted in a further impairment of £12.9 million.

We focused on this area due to the material quantum of the carrying value of the UK investments. Judgement is required to determine whether impairment indicators exist which would require an impairment test to be performed.

We also noted there is economic uncertainty in the UK market, particularly in relation to the COVID-19 health crisis and the UK decision to leave the European Union, that could have a potential impact on the recoverable value of these investments. In addition, there are judgement and estimates used in determining the recoverable amount.

Refer to Investments (note 12 of the financial statements).

Critical accounting judgements and key sources of estimation uncertainty (note 1 of the financial statements), ‘Chief Financial Officer’s review’, ‘Risks’ and ‘Audit Committee report’.

We obtained management’s impairment test results with supporting computations and:

- agreed cash flow forecasts to Board approved budgets and;
- checked the mathematical accuracy of the model.

From these procedures we concluded the model inputs and calculation methodology were appropriate.

The model inputs which require management judgement and our procedures are set out below:

- Short-term growth assumptions – we considered the Group’s forecasts and the history of achieving these. We also sought independent market evidence such as views on the outlook published by the Group’s peers or other economic data. We compared the five-year growth assumptions to independent evidence we obtained from market data and analysis of comparable companies. In the light of the market uncertainty associated with the UK exit from the European Union and the COVID-19 health crisis, we reviewed management’s disclosure of critical accounting estimates and risk disclosures to ensure this was appropriately described.

- Discount rate and long-term growth rate – we used our experts to consider the appropriateness of the pre-tax discount rate of 10.3% and long-term growth rate of 2%.

We concluded that taken together the assumptions used were reasonable.

We reviewed management’s disclosed sensitivities and performed our own sensitivity analysis. We also considered that the disclosures made in the financial statements regarding the assumptions and the sensitivities drew appropriate attention to the more significant areas of estimation.

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**Impact of COVID-19 (Group)**

The COVID-19 health crisis has caused significant disruption and economic uncertainty globally.

The outbreak has had an impact on the Group’s future expected cash flows due to the heightened uncertainty, which has a direct impact on the going concern assessment and the investment impairment assessment. Additionally, there is a heightened risk of the Group’s controls being bypassed by employees working remotely in line with government advice across the world.

Management has included COVID-19 considerations when modelling future cash flows, including in relation to going concern, and assessing assets for impairment.

Refer to the Strategic report and going concern (note 1 of the financial statements).

**How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group’s components vary significantly in size and we identified four financially significant components that, in our view, required an audit of their complete financial information due to their relative size or risk characteristics. Although three out of the four full scope components are based overseas, the audit procedures have been performed by the UK engagement team in the UK. We have worked in conjunction with the teams in the London and Glasgow centralised support functions. Due to the UK’s COVID-19 restrictions, all work has been performed remotely.

The scope of work at each component was determined by its contribution to the Group’s overall financial performance or revenue and its risk profile. We focused our testing on components which are individually financially significant and large or unusual non-significant components.

Together these full and specific scope component audits gave appropriate coverage of all material balances at the Group level. On a consolidated basis, these provide coverage of 84% of revenue and 100% of profit before tax and exceptional items.

**Materiality**

The scope of our audit was influenced by our application of materiality. We set certain qualitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Group financial statements</th>
<th>Company financial statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall materiality</td>
<td>£2.35 million (2019: £2.95 million)</td>
<td>£1.2 million (2019: £1.5 million).</td>
</tr>
<tr>
<td>How we determined it</td>
<td>5% of an average of profit before tax and exceptional items for the three years ended 30 November 2018, 2019 and 2020.</td>
<td>1% of net assets.</td>
</tr>
<tr>
<td>Rationale for benchmark applied</td>
<td>Materiality for the Group has been based on an average of profit before tax and exceptional items for the three years ended 30 November 2018, 2019 and 2020.</td>
<td>We believe that net assets is the primary measure used by shareholders in assessing the position of the non-trading holding company, and is an accepted auditing benchmark.</td>
</tr>
</tbody>
</table>

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.1 million and £2.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million (Group audit) (2019: £0.3 million) and £0.1 million (Company audit) (2019: £0.1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

We are required to report if we have anything material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group’s and Company’s ability to continue as a going concern.

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors’ report for the year ended 30 November 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report, Directors’ report and Corporate governance statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

**Strategic report and Directors’ report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors’ report for the year ended 30 November 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors’ report.

**Corporate governance statement**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate governance statement (in the Governance report) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA (‘DTR’) is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information.

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate governance statement (in the Governance report) with respect to the Company’s corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR.

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company.
The Directors’ assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

• The Directors’ confirmation on page 133 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
• The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
• The Directors’ explanation on pages 76 to 77 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors’ process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the ‘Code’); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

• The statement given by the Directors, on page 133, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group’s and Company’s position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
• The section of the Annual Report on page 105 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
• The Directors’ statement relating to the Company’s compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Other required reporting

We have nothing material to add or draw attention to regarding:

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
22 January 2021
## CONSOLIDATED INCOME STATEMENT
for the year ended 30 November 2020

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before exceptional items £'000</td>
<td>Exceptional items £'000</td>
</tr>
<tr>
<td></td>
<td>Before exceptional items £'000</td>
<td>Exceptional items £'000</td>
</tr>
<tr>
<td>Continuing operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,202,622</td>
<td>1,202,622</td>
</tr>
<tr>
<td></td>
<td>(894,047)</td>
<td>(894,047)</td>
</tr>
<tr>
<td>Net fees</td>
<td>2 308,575</td>
<td>308,575</td>
</tr>
<tr>
<td></td>
<td>(275,594)</td>
<td>(275,592)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>3 31,292</td>
<td>468</td>
</tr>
<tr>
<td></td>
<td>(275,126)</td>
<td>(2,273)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>5 114</td>
<td>55</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>30,127</td>
<td>468</td>
</tr>
<tr>
<td></td>
<td>(275,126)</td>
<td>(2,273)</td>
</tr>
<tr>
<td>Profit for the year from continuing operations</td>
<td>18,383</td>
<td>379</td>
</tr>
<tr>
<td></td>
<td>(1,845)</td>
<td>41,319</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss after tax for the year from discontinued operations</td>
<td>1,809</td>
<td>1,809</td>
</tr>
<tr>
<td>Profit for the year attributable to owners of the Company</td>
<td>16,574</td>
<td>379</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>8 pence pence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Basic 12.5 0.3</td>
<td>12.8</td>
</tr>
<tr>
<td></td>
<td>Diluted 12.2 0.3</td>
<td>12.5</td>
</tr>
<tr>
<td>Earnings per share for continuing operations</td>
<td>8 13.9 0.3</td>
<td>14.2</td>
</tr>
<tr>
<td></td>
<td>Basic 13.5 0.3</td>
<td>13.8</td>
</tr>
</tbody>
</table>

The notes on pages 158 to 207 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 November 2020

<table>
<thead>
<tr>
<th></th>
<th>2020 £'000</th>
<th>2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>16,953</td>
<td>41,319</td>
</tr>
<tr>
<td>Other comprehensive income/(expense):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be subsequently reclassified to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on retranslation of foreign continuing operations</td>
<td>2,955</td>
<td>(3,580)</td>
</tr>
<tr>
<td>Exchange differences on retranslation of foreign discontinued operations</td>
<td>(228)</td>
<td>(312)</td>
</tr>
<tr>
<td>Items that will not be subsequently reclassified to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss on equity instruments at fair value through other comprehensive income</td>
<td>(12)</td>
<td>(1,996)</td>
</tr>
<tr>
<td>Other comprehensive income/(loss) for the year (net of tax)</td>
<td>2,715</td>
<td>(5,888)</td>
</tr>
<tr>
<td>Total comprehensive income for the year attributable to owners of the Company</td>
<td>19,668</td>
<td>35,431</td>
</tr>
</tbody>
</table>

The notes on pages 158 to 207 are an integral part of these financial statements.

SThree plc (‘the Company’) has elected to take the exemption under Section 408 of the Companies Act 2006 not to present an income statement and statement of comprehensive income for the parent Company.

The notes on pages 158 to 207 are an integral part of these financial statements.
STATEMENTS OF FINANCIAL POSITION
as at 30 November 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 November 2020

The notes on pages 158 to 207 are an integral part of these financial statements.

The Company’s loss after tax for the year was £23.7 million (2019: loss of £16.1 million).

The financial statements on pages 152 to 157 were approved by the Board of Directors on 22 January 2021 and signed on its behalf by:

Alex Smith
Chief Financial Officer

Company registered number: 03805979

The notes on pages 158 to 207 are an integral part of these financial statements.
COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 November 2020

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital £'000</th>
<th>Share premium £'000</th>
<th>Capital redemption reserve £'000</th>
<th>Capital reserve £'000</th>
<th>Treasury shares £'000</th>
<th>Retained earnings £'000</th>
<th>Total equity attributable to owners of the Company £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 December 2018</td>
<td>1,319</td>
<td>30,511</td>
<td>172</td>
<td>878</td>
<td>(7,830)</td>
<td>156,486</td>
<td>181,536</td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(16,057)</td>
<td>(16,057)</td>
</tr>
<tr>
<td>Dividends paid to equity holders</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(18,778)</td>
</tr>
<tr>
<td>Settlement of vested tracker shares</td>
<td>19(c)</td>
<td>5</td>
<td>1,325</td>
<td>-</td>
<td>-</td>
<td>3,245</td>
<td>(230)</td>
</tr>
<tr>
<td>Settlement of share-based payments</td>
<td>2</td>
<td>325</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,086</td>
<td>(2,086)</td>
</tr>
<tr>
<td>Purchase of own shares by Employee Benefit Trust</td>
<td>19(c)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,506)</td>
<td>(2,506)</td>
</tr>
<tr>
<td>Credit to equity for equity-settled share-based payments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,681</td>
<td>2,681</td>
</tr>
<tr>
<td>Deferred tax on share-based payment transactions</td>
<td>18</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Total movements in equity</td>
<td>7</td>
<td>1,660</td>
<td>-</td>
<td>-</td>
<td>2,825</td>
<td>(34,447)</td>
<td>(29,965)</td>
</tr>
</tbody>
</table>

Balance at 30 November 2019 and at 1 December 2019 | 1,326 | 32,161 | 172 | 878 | (5,005) | 122,039 | 151,571 |

Total comprehensive loss for the year | - | - | - | - | - | (16,057) | (16,057) |
Dividends paid to equity holders | 9 | - | - | - | - | - | (18,778) |
Settlement of vested tracker shares | 19(c) | 5 | 1,325 | - | - | 3,245 | (230) |
Settlement of share-based payments | 2 | 325 | - | - | - | 2,086 | (2,086) |
Purchase of own shares by Employee Benefit Trust | 19(c) | - | - | - | - | (2,506) | (2,506) |
Credit to equity for equity-settled share-based payments | - | - | - | - | - | 2,681 | 2,681 |
Deferred tax on share-based payment transactions | 18 | - | - | - | - | 23 | 23 |
Total movements in equity | 7 | 1,660 | - | - | 2,825 | (34,447) | (29,965) |

Balance at 30 November 2020 | 1,330 | 33,026 | 172 | 878 | (1,496) | 87,163 | 121,073 |

The notes on pages 158 to 207 are an integral part of these financial statements.

The notes on pages 158 to 207 are an integral part of these financial statements.
1 Accounting policies
SThree plc ("the Company") is a public limited company listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom and registered in England and Wales. Its registered office is 1st Floor, 76 King William Street, London, EC4N 7BE.
The business model, activities, locations of SThree plc ("the Company") and its subsidiaries (together ‘the Group’) are set out further in the Strategic report of this Annual Report.

Basis of preparation
The Consolidated Financial Statements 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.
The Consolidated and Company-only Financial Statements have been prepared on a going concern basis under the historical cost convention, as modified by financial assets held at fair value through profit or loss or held at fair value through other comprehensive income (see below for further details). The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present an income statement and statement of comprehensive income for the parent company. The loss after tax for the parent Company for the year was £23.7 million (2019: £16.1 million).
The Consolidated Financial Statements are presented in Sterling, the functional currency of SThree plc.

Going concern
The Group’s business model has been tested during the recent period of particularly challenging market conditions and has been found to be effective and resilient.
When assessing the Group’s ability to continue as a going concern, the Directors reviewed assumptions about the future trading performance, capital expenditure, working capital requirements and available funding facilities contained within the Group’s five-year plan. The Directors have also considered the principal risks in the business, credit, market and liquidity risks, including forecast covenant compliance, as well as the other matters discussed in connection with the viability statement that can be found in the Group Annual Report 2020 under Compliance statements. Further stress testing has been carried out to ensure the Group has sufficient cash resources and complies with bank covenants to continue in operation for at least 12 months from the date of signing this report. This stress testing included severe but plausible scenarios of the shape and severity of economic consequences of enforced lockdown restrictions on the aggregate demand for the Group’s services, deterioration in credit risk and days sales outstanding, partially offset by mitigating cost reduction actions. Through this process the Directors have satisfied themselves that the Group will be able to meet its commitments and obligations for at least the next 12 months from the date of this report.
The key assumptions of two severe but plausible scenarios linked to certain principal risks are shown below.

Scenario 1
The COVID-19 global health crisis and the impact on the global economy have been considered. In this scenario we assume that sales activity in the first half of 2021 is significantly impacted, being down 7% versus H1 2020, the period when the majority of our markets went into lockdown and we were significantly impacted in the early stages of the health crisis.
Under ‘Scenario 1’ the Group forecasts to be in a strong cash position throughout 2021 and Q1 2022 with significant headroom against its banking covenants.
Following this period, it is assumed that there is recovery, and the Group returns to a more normal trading performance in 2022.

Scenario 2
Under ‘Scenario 2’ we extended the impact of COVID-19 with an additional wave of lockdown restrictions and demand reductions for the period from August to the end of November 2021. Sales activity for Q1 and Q2 mirror the performance of ‘Scenario 1’. The Q3 and Q4 impact is further offset by proportionate mitigating cost reduction actions.

1 Accounting policies continued
Under ‘Scenario 2’ the Group forecasts to be in a strong cash position throughout 2021 and Q1 2022 with significant headroom against its banking covenants. Following this period, it is assumed that there is recovery, and the Group returns to a more normal trading performance in 2022.
The results of the stress testing demonstrated that due to the Group’s significant free cash flow, strong balance sheet, immediately accessible liquidity of £154.9 million (falling to £104.9 million on 23 March 2021 when the Group’s access to the Bank of England’s COVID-19 Corporate Financing Facility expires), and the Board’s ability to adjust the cost base further, including the discretionary share buy-back programme, it would be able to withstand the impact and remain cash generative. Based on the above, together with their knowledge and experience of the recruitment services industry and STEM markets, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 30 November 2020.

New and amended accounting standards
A number of new or amended standards became applicable for the current reporting period; none of these, however, other than the adoption of IFRS 16 Leases (‘IFRS 16’), had a significant impact on the Group’s accounting policies or the Consolidated Financial Statements.

IFRS 16 Leases
This note explains the impact of the adoption of IFRS 16 on the Group’s financial statements and also discloses the new accounting policies that have been applied from 1 December 2019, where they are different to those applied in prior periods.

(a) Impact on the financial statements
The Group adopted IFRS 16 under the modified retrospective transition approach from 1 December 2019 but has not restated comparatives for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of the new leasing standard were therefore recognised in the opening balance sheet on 1 December 2019.
The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.
1 Accounting policies continued

(b) Accounting policies applied from 1 December 2019

From 1 December 2019, leases, from a lessee perspective, are recognised as a right-of-use asset and a corresponding lease liability at the date when the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a net present value basis and are recognised as part of ‘Property, plant and equipment’, ‘Current lease liabilities’ and ‘Non-current lease liabilities’ in the statement of financial position.

Lease liabilities include the net present value of the following lease payments:

- a) fixed payments less any lease incentives receivable;
- b) variable lease payments that are based on an index or a rate;
- c) amounts expected to be payable by the lessee under residual value guarantees, if any;
- d) the exercise price of a purchase option if the Group is reasonably certain it will exercise that option; and
- e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease (if that rate can be determined), or the incremental borrowing rate (‘IBR’), being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. In determining the incremental borrowing rate to be used, the Group applies judgement to establish the suitable reference rate and credit spread. IBR was calculated at the transition date of 1 December 2019.

Each lease payment is allocated between the liability and finance costs, within finance costs in the income statement.

Right-of-use assets are measured at cost comprising the following:

- a) the amount of the initial measurement of lease liability;
- b) any lease payments made at or before the commencement date less any lease incentive received;
- c) any initial direct costs; and
- d) any restoration costs.

The right-of-use assets are depreciated over the shorter of the assets’ useful life and the lease term on a straight-line basis.

The Group does not apply the recognition exemption to short-term leases or leases of low-value assets, as permitted by the standard.

In determining the lease terms, the Directors consider all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after a termination option) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Other amendments and interpretations

The Group has adopted the following other amendments and interpretations which were issued by the IASB that are effective for our annual period beginning on 1 December 2019:

- Prepayment features with negative compensation - amendments to IFRS 9;
- Long-term interest in associates and joint ventures - amendments to IAS 28;
- Annual improvements to IFRS standards 2015-2017 cycle;
- Plan amendment, curtailment or settlement - amendments to IAS 19; and
- Interpretation 23 – uncertainty over income tax treatments.

The above amendments and interpretations that came into effect on 1 December 2019 did not have a material impact on the Consolidated Financial Statements of the Group.

The following other amendments and interpretations were issued by the IASB that are effective from 1 January 2021 but will not have a material impact on the Consolidated Financial Statements of the Group:

- Definition of a business - amendments to IFRS 3;
- Definition of material (amendments to IAS 1 and IAS 8); and
- Interest Rate Benchmark Reform - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

1 Accounting policies continued

Finance interest
Interest income is recognised as the interest accrues to the net carrying amount of the financial asset. Interest cost is recognised in the income statement in the period in which it is incurred.

Taxation
The tax expense comprises both current and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax
Deferred tax is provided in full, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated using tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Where an entity has been loss-making, deferred tax assets are only recognised if there is convincing evidence supporting its future utilisation.

Foreign currencies
Functional and presentation currency
Items included in the financial statements of each Group subsidiary are measured using the currency of the primary economic environment in which that subsidiary operates (its ‘functional currency’).

Transactions and balances
Foreign currency transactions are translated using exchange rates at the date of the transactions. Any exchange gain or loss from settlement of these transactions or translation at the period end are recognised in the income statement.

Consolidation
On consolidation, the subsidiaries’ assets and liabilities denominated in foreign currencies are translated into Sterling at the rates ruling at the reporting date. Income and expense items are translated into Sterling at average rates of exchange for the period and all exchange gains or losses are recognised in the Consolidated Statement of Comprehensive Income. Any exchange differences which have arisen from an entity’s investment in a foreign subsidiary, including long-term loans, are recognised as a separate component of equity and are included in the Group’s currency translation reserve (‘CTR’). When a foreign operation is sold, such exchange differences are reclassified from CTR to the Consolidated Income Statement to form part of the gain or loss on disposal.

Property, plant and equipment
Property, plant and equipment is recorded at cost less accumulated depreciation and any impairment losses. Subsequent expenditure is added to the carrying value of the asset when it is probable that future economic benefits, in excess of the originally assessed performance of the existing asset, will flow to the Group and the costs can be measured reliably. All other subsequent expenditure is expensed in the period in which it is incurred.

Depreciation is provided on a straight-line basis and charged to the income statement over the expected useful working lives of the assets, after they have been brought into use, at the following rates:

- Right-of-use assets: lower of the asset’s useful life and the lease term
- Computer equipment: three years
- Leasehold improvements: lower of the lease term and five years
- Fixtures and fittings: five years

1 Accounting policies continued

Gains and losses on disposals are included in the income statement by comparing proceeds with carrying amount. Residual values and useful lives are reviewed and adjusted if appropriate at the end of the reporting period. Any changes are accounted for prospectively.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset’s fair value less cost to sell and its value in use.

Intangible assets
Goodwill
Goodwill arising on consolidation represents the excess of purchase consideration over the fair value of the Group’s share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries has an indefinite useful life and is included in intangible assets. If the goodwill balance is material, it is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Acquired and developed software and systems
Computer software acquired or developed by the Group is stated at cost less accumulated amortisation. Costs incurred on software and system development projects are only capitalised if capitalisation criteria under IAS 38 Intangible Assets (‘IAS 38’) are met. These are amortised as follows:

- Acquired computer software: expected useful life of three to seven years
- Software and system development costs: expected useful lives not exceeding five years

Software maintenance costs are expensed in the period in which they are incurred. Other costs linked to development projects that do not meet the IAS 38 criteria are expensed in the period incurred.

Assets under construction
Purchased assets or internally generated intangible assets that are still under development are classified as ‘assets under construction’. These assets are reclassified within intangibles over the phased completion dates and are amortised from the date they are reclassified.

Trademarks
Acquired trademarks are stated at cost and are amortised over the estimated useful life (up to 12 years) on a straight-line basis.

Impairment of intangible assets
Assets that are not subject to amortisation are tested for impairment annually. Any impairment loss or gain is recognised in the income statement.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their respective carrying amounts may not be recoverable. Any impairment loss is recognised in the income statement.

Impairment loss is the excess of an asset’s carrying amount over its recoverable amount. The recoverable amount represents the higher of an asset’s fair value less costs to sell and its value in use. Value in use is measured based on the expected future discounted cash flows attributable to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).
1 Accounting policies continued

Investments
Subsidiaries
Investments in shares in subsidiary companies are stated at cost less impairment loss to the extent that the carrying value exceeds the recoverable amount; the investment is impaired to its recoverable amount with the impairment charged to the Company’s income statement. An investment is deemed to be impaired when it has been determined that its carrying value will not be recovered either through actual cash flows or operating profit generation or selling it. If circumstances arise that indicate that investments might be impaired, the recoverable amount of the investment is estimated. The recoverable amount is the higher of the entity’s fair value less costs to sell or its value in use. To the extent that the carrying value exceeds the recoverable amount, the investment is impaired to its recoverable amount.

Where share-based payments are granted to the employees of subsidiary undertakings by the Company, they are treated as a capital contribution to the subsidiary and the Company’s investment in the subsidiary is increased accordingly.

The investments in shares in the undertakings outside of the Group, in particular where the Group does not have significant influence or control, are classified as financial assets held at fair value through other comprehensive income. At initial recognition, such shareholdings are measured at cost and on subsequent measurement dates they are fair valued on the basis of current prices generated for similar transactions or using an enterprise value to sales multiple valuation method.

Financial assets
The Group classifies its financial assets in the following measurement categories:

• those measured subsequently at fair value (either through OCI or through profit or loss); and
• those measured at amortised cost.

Classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in either profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPI or are expressed in profit or loss.

Trade receivables, prepayments and accrued income are recognised initially at fair value and subsequently measured at amortised cost less any expected credit losses.

Cash and cash equivalents include cash-in-hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Impairment of financial assets
The Group recognises the expected credit losses (‘ECLs’) associated with all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

1 Accounting policies continued

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For invoices reviewed on a portfolio basis (i.e. not individually reviewed), the loss allowance for ECLs is provided at differing percentages determined based on historical collection experience, adjusted for forward-looking market factors specific to the debtors and the economic environment. Certain exposures within trade receivables are individually assessed for which the Directors make judgement on a client-by-client basis as to their ability to collect outstanding receivables. When reviewing significant outstanding invoices, the Directors consider qualitative factors that are available without undue cost or effort, such as a decrease in the debtor’s creditworthiness, changes in external or internal credit ratings, macro-economic conditions, actual or expected deterioration in business performance of any particular debtor, and other known issues.

The carrying amount of the trade receivables is adjusted, with the amount of the impairment recognised in the income statement. They are written off when there is no reasonable expectation of recovering the amounts due.

Disposal of financial assets
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred. On derecognition of a financial asset, any difference between the carrying amount of an asset and the consideration received is recognised in the profit or loss.

Financial liabilities, including bank overdrafts
All non-derivative financial liabilities are classified as ‘financial liabilities measured at amortised cost’. All financial liabilities are recognised initially at fair value and net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The Group’s financial liabilities include trade and other payables and other financial liabilities, including borrowings, bank overdraft and lease liabilities.

Bank overdrafts are shown within current liabilities in the statement of financial position unless they form part of a cash pooling arrangement where there is an intention to settle on a net basis, in which case they are reported net of related cash balances.

Provisions
A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the present value of the expenditures expected to be required to settle the obligation. No provision is recognised for future operating losses.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Group’s holdings in its own equity instruments are classified as ‘treasury shares’. The consideration paid, including any directly attributable incremental costs, is deducted from the equity attributable to the owners of the Company until the shares are cancelled or reissued. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

Employee Benefit Trust
The Employee Benefit Trust (‘EBT’) was originally funded by gifts from certain of the Company’s shareholders and Directors. The assets and liabilities of the EBT are recognised in the Group’s Consolidated Financial Statements. The shares in the EBT are held to satisfy awards and grants under certain employee share schemes. For accounting purposes, shares held in the EBT are treated in the same manner as treasury shares and are, therefore, included in the Consolidated Financial Statements as treasury shares. Consideration, if any, received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares held by the EBT.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020
1 Accounting policies continued

In the separate financial statements of the Company, the EBIT is treated as an agent acting on behalf of the Company. Funding provided by the Company to the EBIT is accounted for as the issue of treasury shares.

Dividends

Interim dividends are recognised in the financial statements at the earlier of the time they are paid or shareholders’ approval. Final dividends declared to the Company’s shareholders are recognised as a liability in the Company’s and Group’s financial statements in the period in which they are approved by the Company’s shareholders.

The Company recognises dividends from subsidiaries at the time that they are declared.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave or sick leave and any other employee benefits are accrued in the period in which the associated services are rendered by employees to the Group.

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group and independently administered funds. The pension costs charged to the income statement represent the contributions payable by the Group to the funds during each period.

Share-based payments

The Group operates a number of equity-settled share-based arrangements, under which it receives services from employees in return for equity instruments of the Group. The cost of equity-settled transactions with employees is measured using an appropriate valuation model on the measurement date and the date when equity instruments are granted and is recognised as an expense over the vesting period, which ends on the date on which the employees become fully entitled to the award. Fair value is determined by using an appropriate valuation model.

No expense is recognised for awards that do not ultimately vest. For the awards with non-vesting conditions (awards that do not have an explicit or implicit service requirement), the full cost of the award is recognised on the grant date, i.e. they are treated as fully vested irrespective of whether or not the market condition is satisfied.

At the end of the reporting period, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the best estimate of the achievement of non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous year end is recognised in the income statement, with a corresponding credit recognised in equity.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid, up to the fair value of the award, at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Tracker share arrangements

The Group invites selected senior individuals to invest in the businesses they manage, sharing in both the risk and reward. These individuals are offered equity (‘tracker shares’) in those businesses in return for making an investment.

Tracker share arrangements: continued

The following are the significant judgements, apart from those involving estimations which are dealt with in the methodology for calculating the EV.

Critical accounting judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company’s accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements: continued

The following are the significant judgements, apart from those involving estimations which are dealt with separately below:

(i) Tracker share arrangements

The tracker share arrangements give the Group the choice to settle tracker shares in either cash or SThree plc shares. There are significant accounting differences between an equity-settled and cash-settled scheme.

Judgement is therefore required as to whether this is a cash or equity-settled share-based payment scheme. Based on the Directors’ judgement, the tracker share arrangements are accounted for as an equity-settled share-based payment scheme under IFRS 2 as the Group’s policy is to settle its obligations under the arrangements in SThree plc shares. The Company settles tracker shares through either treasury shares or the issue of new shares in SThree plc. The Companies Act 2006 does not specify whether the issue of treasury shares to settle share-based payments should be accounted for in share premium or elsewhere. The Company has taken legal advice which confirms this is judgemental and therefore the approach taken by the Company is to include differences between the fair value of the tracker shares settled and the weighted average cost of treasury shares in retained earnings.

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

1 Accounting policies continued

(ii) Exceptional items

Tracker shares can be repurchased from holders with either cash or SThree plc shares at the Company’s discretion. Historically, the Company’s policy and intention has been to settle tracker shares using SThree plc shares. Therefore, the judgement of the Directors is that this share based-payment scheme is treated as equity-settled.

(iii) Exceptional items

Exceptional items are those items that the Group considers to be one-off and material in nature that should be brought to the reader’s attention in understanding the Group’s financial performance.

The term ‘exceptional items’ is not separately defined within IFRS. Judgement is therefore required in assessing which items of income or expense qualify as exceptional and that disclosure of this alternative performance measure is useful for readers of the Annual Report.

During the year ended 30 November 2020, the exceptional items included primarily the income that was recognised in relation to the government grant receivable from Scottish Enterprise on the relocation of support functions. This is fully discussed in note 3 and in the Chief Financial Officer’s review.

Estimation uncertainty

The assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) Revenue recognition

Contract revenue is recognised when the supply of professional services has been rendered. This includes an assessment of professional services received by the client for services provided by contractors between the date of the last received timesheet and the year end.

Revenue is accrued for contractors where no timesheet has been received, but the individual is ‘live’ on the Group’s systems, or where a customer has not yet approved a submitted timesheet. The value of unsubmitted timesheets for each individual contractor is system generated and the number of hours worked by each contractor is adjusted for holidays and the historical shrinkage rate.

The key estimation uncertainty arises from determining the historical shrinkage rate which is used to constrain the variable part of revenue, i.e. accrued income, at the reporting date. The historical shrinkage rate represents the pattern in which in prior year Contract income accrued for expected timesheets was reduced versus the actual timesheets received and approved within the three-month period post the reporting date.

The historical shrinkage rate applied to the current year is 23.7% (2019: 19.9%). It represents the pattern in which in prior year Contract income accrued for expected timesheets was reduced versus the actual timesheets received and approved within the three-month period post the reporting date.

A 10% increase in this key assumption could have an impact of approximately £0.3 million on the amount of Contract net fees (£1.3 million on revenue less £1.0 million on costs of sales) in the Consolidated Income Statement in the next financial year.

(iv) Impairment of investments in subsidiaries (Company only)

The Company considers whether investments are impaired. Where an indication of impairment is identified, judgement is required in determining the recoverable amount as the Company evaluates various factors related to the operational and financial position of the relevant investee business, appropriate discounting and long-term growth rates.

A sensitivity analysis of the impact of changes in the assumptions on the impairment charge is provided in note 12.

2 Segmental analysis

The Group’s operating segments are established on the basis of those components of the Group that are regularly reviewed by the Group’s chief operating decision maker, in deciding how to allocate resources and in assessing performance. The Group’s business is considered primarily from a geographical perspective.

The Directors have determined the chief operating decision maker to be the Executive Committee made up of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief People Officer, with other senior management attending via invitation.

In the current year, the Group changed its reporting structure, as shown in the tables below, in line with the updated strategy announced at its 2019 Capital Markets Day and internal management structures. As a result, the Group segments the business into the following reportable regions: DACH, EMEA excluding DACH, USA and APAC, as well as presents an analysis of net fees by its five key markets: Germany, the Netherlands, USA, the UK and Japan. On a sector basis, Engineering now includes Energy, which was previously reported separately. The comparative numbers have been restated in accordance with the new reporting structure.

DACH region comprises Germany, Switzerland and Austria. ‘EMEA excluding DACH’ region comprises primarily Belgium, France, the Netherlands, Spain, the UK, Ireland, and Dubai. All these sub-regions were aggregated into two separate reportable segments based on the possession of similar economic characteristics.

Countries aggregated into DACH and separately into ‘EMEA excluding DACH’ generate a similar average net fees margin and long-term growth rates, and are similar in each of the following areas:

- the nature of the services (i.e. recruitment/candidate placement);
- the methods used in which they provide services to clients (i.e. freelance contractors, ii. employed contractors, and iii. permanent candidates); and
- the class of candidates (candidates, who we place with our clients, represent skillsets in Science, Technology, Engineering and Mathematics disciplines).

The Group’s management reporting and controlling systems use accounting policies that are the same as those described in note 1 in the summary of significant accounting policies.

Revenue and net fees by reportable segment

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as ‘net fees’ in the management reporting and controlling systems. Net fees is the measure of segment profit comprising revenue less cost of sales.

Intergroup revenue is recorded at values which approximate third party selling prices and is not significant.

Revenue and net fees by reportable segment

<table>
<thead>
<tr>
<th>Region</th>
<th>2020</th>
<th>Restated</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>EMEA excluding DACH</td>
<td>588,787</td>
<td>693,099</td>
<td>117,629</td>
</tr>
<tr>
<td>DACH</td>
<td>371,915</td>
<td>375,735</td>
<td>105,764</td>
</tr>
<tr>
<td>USA</td>
<td>227,523</td>
<td>237,702</td>
<td>77,243</td>
</tr>
<tr>
<td>APAC</td>
<td>14,397</td>
<td>18,167</td>
<td>7,939</td>
</tr>
<tr>
<td></td>
<td>1,202,622</td>
<td>1,324,703</td>
<td>308,576</td>
</tr>
</tbody>
</table>

EMEA excluding DACH includes Dubai, Belgium, France, Ireland, Luxembourg, the Netherlands, Spain and UK.

DACH includes Austria, Germany and Switzerland.

APAC includes Hong Kong, Japan, Malaysia and Singapore.
### 2 Segmental analysis continued

#### Split of revenue from contracts with customers

The Group derives revenue from the transfer of services over time and at a point in time in the following geographical regions:

<table>
<thead>
<tr>
<th>30 November 2020</th>
<th>EMEA excluding DACH £'000</th>
<th>DACH £'000</th>
<th>USA £'000</th>
<th>APAC £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timing of revenue recognition</td>
<td>Over time</td>
<td>569,715</td>
<td>335,298</td>
<td>211,800</td>
<td>8,004</td>
</tr>
<tr>
<td></td>
<td>At a point in time</td>
<td>19,072</td>
<td>36,617</td>
<td>15,723</td>
<td>6,393</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>588,787</td>
<td>371,915</td>
<td>227,523</td>
<td>14,397</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>30 November 2019 restated</th>
<th>EMEA excluding DACH £'000</th>
<th>DACH £'000</th>
<th>USA £'000</th>
<th>APAC £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timing of revenue recognition</td>
<td>Over time</td>
<td>668,940</td>
<td>337,829</td>
<td>220,567</td>
<td>9,123</td>
</tr>
<tr>
<td></td>
<td>At a point in time</td>
<td>24,159</td>
<td>37,906</td>
<td>17,135</td>
<td>9,044</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>693,099</td>
<td>375,735</td>
<td>237,702</td>
<td>18,167</td>
</tr>
</tbody>
</table>

#### Major customers

In 2020 and 2019, no single customer generated more than 10% of the Group’s revenue.

#### Other information

The Group’s revenue from external customers, its net fees and information about its segment assets (non-current assets excluding deferred tax assets) by key location are detailed below:

<table>
<thead>
<tr>
<th>2020</th>
<th>2019 restated</th>
<th>2020</th>
<th>2019 restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Germany</td>
<td>336,259</td>
<td>342,345</td>
<td>96,866</td>
</tr>
<tr>
<td>Netherlands</td>
<td>234,547</td>
<td>261,429</td>
<td>47,314</td>
</tr>
<tr>
<td>USA</td>
<td>227,523</td>
<td>237,702</td>
<td>77,243</td>
</tr>
<tr>
<td>UK</td>
<td>186,146</td>
<td>236,323</td>
<td>77,243</td>
</tr>
<tr>
<td>Japan</td>
<td>7,044</td>
<td>9,000</td>
<td>5,899</td>
</tr>
<tr>
<td>RoW</td>
<td>211,103</td>
<td>237,904</td>
<td>46,196</td>
</tr>
<tr>
<td></td>
<td>1,202,622</td>
<td>1,324,703</td>
<td>308,575</td>
</tr>
</tbody>
</table>

1. RoW (Rest of World) includes all countries other than listed.

### 2 Segmental analysis continued

#### Non-current assets

<table>
<thead>
<tr>
<th>30 November 2020</th>
<th>30 November 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>UK</td>
<td>16,255</td>
</tr>
<tr>
<td>Germany</td>
<td>10,725</td>
</tr>
<tr>
<td>USA</td>
<td>6,446</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3,928</td>
</tr>
<tr>
<td>Japan</td>
<td>118</td>
</tr>
<tr>
<td>RoW</td>
<td>7,736</td>
</tr>
<tr>
<td></td>
<td>45,228</td>
</tr>
</tbody>
</table>

1. Non-current assets from discontinued operations included in RoW amount to £nil (2019: £0.2 million).

The following segmental analysis by brands, recruitment classification and sectors (being the profession of candidates placed) has been included as additional disclosure to the requirements of IFRS 8.

<table>
<thead>
<tr>
<th>2020</th>
<th>2019 restated</th>
<th>2020</th>
<th>2019 restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Computer Futures</td>
<td>376,053</td>
<td>400,184</td>
<td>95,530</td>
</tr>
<tr>
<td>Progressive</td>
<td>372,568</td>
<td>430,390</td>
<td>92,295</td>
</tr>
<tr>
<td>Real Staffing Group</td>
<td>253,682</td>
<td>255,951</td>
<td>75,884</td>
</tr>
<tr>
<td>Huxley Associates</td>
<td>200,319</td>
<td>238,178</td>
<td>44,866</td>
</tr>
<tr>
<td></td>
<td>1,202,622</td>
<td>1,324,703</td>
<td>308,575</td>
</tr>
</tbody>
</table>

Other brands, including Global Enterprise Partners, JP Gray, Madison Black, Newington International and Orgtel, are rolled into the above brands.

### Recruitment classification

<table>
<thead>
<tr>
<th>2020</th>
<th>2019 restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract</td>
<td>1,124,817</td>
</tr>
<tr>
<td>Permanent</td>
<td>77,805</td>
</tr>
<tr>
<td></td>
<td>1,202,622</td>
</tr>
</tbody>
</table>

### Sectors

<table>
<thead>
<tr>
<th>2020</th>
<th>2019 restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>591,333</td>
</tr>
<tr>
<td>Engineering</td>
<td>271,861</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>223,655</td>
</tr>
<tr>
<td>Banking &amp; Finance</td>
<td>101,196</td>
</tr>
<tr>
<td>Other</td>
<td>14,577</td>
</tr>
<tr>
<td></td>
<td>1,202,622</td>
</tr>
</tbody>
</table>

Other includes Procurement & Supply Chain and Sales & Marketing. Engineering includes Energy.
3 Administrative expenses continued

Business optimisation expense

In response to the significantly changed economic environment and increased risk and uncertainty caused by COVID-19, the Directors took relevant steps to right-size the structure and strategy of certain local businesses. These changes resulted in a one-off charge of £3.3 million (2019: £nil) that was recognised in the current year.

Government assistance income

The Group took advantage of job retention schemes launched by local national governments in Belgium, France, Hong Kong, Japan, Luxembourg, Singapore, and Spain, whereby it was reimbursed for a portion of salaries of furloughed staff. In 2020, the Group recognised a total benefit, including the associated payroll savings, of £1.2 million (2019: £nil). The compensation was presented as a deduction in reporting the related staff expense.

The Group decided to repay UK furlough money as performance exceeded the Directors’ expectations.

(c) Auditors’ remuneration

During the year, the Group (including its subsidiaries) obtained the following services from the Company’s auditors and its associates:

<table>
<thead>
<tr>
<th>Service performed</th>
<th>2020 £’000</th>
<th>2019 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees payable to the Company’s auditors for the audit of the Company’s annual financial statements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- recurring and non-recurring audit fees</td>
<td>449</td>
<td>163</td>
</tr>
<tr>
<td>Fees payable to the Company’s auditors and their associates for other services to the Group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- audit of the Company’s subsidiaries pursuant to legislation</td>
<td>292</td>
<td>252</td>
</tr>
<tr>
<td>- audit-related assurance services</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>- all other non-audit services including PwC Infirm subscription</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Fees charged to operating profit</td>
<td>753</td>
<td>428</td>
</tr>
</tbody>
</table>

4 Directors and employees

Aggregate remuneration of employees, including Directors, in continuing operations was:

<table>
<thead>
<tr>
<th>Category</th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 £’000</td>
<td>2019 £’000</td>
<td>2020 £’000</td>
</tr>
<tr>
<td>Wages and salaries (including bonuses)</td>
<td>182,240</td>
<td>181,336</td>
</tr>
<tr>
<td>Social security costs</td>
<td>22,634</td>
<td>24,654</td>
</tr>
<tr>
<td>Other pension costs</td>
<td>2,439</td>
<td>2,120</td>
</tr>
<tr>
<td>Temporary staff costs</td>
<td>1,014</td>
<td>830</td>
</tr>
<tr>
<td>Share-based payments(1)</td>
<td>1,070</td>
<td>2,120</td>
</tr>
<tr>
<td></td>
<td>209,397</td>
<td>211,029</td>
</tr>
</tbody>
</table>

(1) Excludes charge classified as exceptional.

The staff costs capitalised during the year on internally developed assets (note 11) and not included in the above amounts were £0.3 million (2019: £0.3 million).
### 4 Directors and employees continued

The average monthly number of employees (including Executive Directors), in continuing operations during the year was:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EMEA</td>
<td>DACH</td>
<td>USA</td>
<td>APAC</td>
<td>Group total</td>
<td>Company total</td>
</tr>
<tr>
<td>Sales</td>
<td>1,019</td>
<td>859</td>
<td>380</td>
<td>88</td>
<td>2,346</td>
<td>-</td>
</tr>
<tr>
<td>Non-sales</td>
<td>682</td>
<td>110</td>
<td>112</td>
<td>23</td>
<td>927</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,701</strong></td>
<td><strong>969</strong></td>
<td><strong>492</strong></td>
<td><strong>111</strong></td>
<td><strong>3,273</strong></td>
<td><strong>9</strong></td>
</tr>
</tbody>
</table>

#### 5 Finance income and costs

**Finance income**
- Interest on lease liability: £(683)
- Bank loans and overdrafts: £(996)
- **Net finance costs from continuing operations**: £(1,165)

**Finance costs**
- Interest on lease liability: £(683)
- Bank loans and overdrafts: £(996)
- **Total finance costs from continuing operations**: £(1,279)

### 6 Taxation

#### (a) Analysis of tax charge for the year

<table>
<thead>
<tr>
<th></th>
<th>2020 (£'000)</th>
<th>2019 (£'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation tax charged/(credited) on profits for the year</td>
<td>8,651</td>
<td>8,740</td>
</tr>
<tr>
<td>Adjustments in respect of prior periods</td>
<td>438</td>
<td>438</td>
</tr>
<tr>
<td>Total current tax charge/(credit)</td>
<td>9,089</td>
<td>9,178</td>
</tr>
</tbody>
</table>

**Deferred income tax**
- Origin and reversal of temporary differences: £2,582
- Adjustments in respect of prior periods: £73
- Total deferred tax charge/(credit): £2,655

#### (b) Reconciliation of the effective tax rate

<table>
<thead>
<tr>
<th></th>
<th>2020 (£'000)</th>
<th>2019 (£'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before income tax from continuing operations</strong></td>
<td>30,127</td>
<td>30,595</td>
</tr>
<tr>
<td><strong>Loss before income tax from discontinued operations</strong></td>
<td>(1,809)</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Profit before income tax for the Group</strong></td>
<td>28,318</td>
<td>30,593</td>
</tr>
</tbody>
</table>

**Effect of:***
- Disallowable items: £2,183
- Differing tax rates on overseas earnings: £2,576
- Adjustments in respect of prior periods: £511
- Adjustment due to tax rate changes: £115
- Tax losses for which deferred tax asset was not recognised or derecognised: £979

**Total tax charge/(credit) for the year**: £11,744
6 Taxation continued

(c) Current and deferred tax movement recognised directly in equity

<table>
<thead>
<tr>
<th></th>
<th>2020 £'000</th>
<th>2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity-settled share-based payments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax</td>
<td>192</td>
<td>–</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(350)</td>
<td>351</td>
</tr>
<tr>
<td>Current tax adjustment on transition to IFRS 15</td>
<td>–</td>
<td>814</td>
</tr>
<tr>
<td>Deferred tax adjustment on transition to IFRS 16</td>
<td>342</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>184</td>
<td>1,165</td>
</tr>
</tbody>
</table>

The Group expects to receive additional tax deductions in respect of share options currently unexercised. Under IFRS, the Group is required to provide for deferred tax on all unexercised share options. Where the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item. In this situation, the excess of the current or deferred tax should be recognised in equity. At 30 November 2020, a deferred tax asset of £0.7 million (2019: £1.9 million) was recognised in respect of these options (note 18).

Prior to the adoption of IFRS 15, income of £3.1 million was recognised and taxed. On transition to IFRS 15, this income was reversed via the opening balance of retained earnings, and hence a tax deduction was due on this reversal. This tax deduction resulted in a tax credit of £0.8 million at 30 November 2019.

On transition to IFRS 16, an adjustment to retained earnings at 1 December 2019 was made, and a corresponding tax credit was booked to equity of £0.3 million.

7 Discontinued operations continued

<table>
<thead>
<tr>
<th></th>
<th>2020 £'000</th>
<th>2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>11,538</td>
<td>20,318</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(9,346)</td>
<td>(15,962)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(3,972)</td>
<td>(4,358)</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(1,795)</td>
<td>(2)</td>
</tr>
<tr>
<td>Net finance cost</td>
<td>(14)</td>
<td>–</td>
</tr>
<tr>
<td>Loss before income tax from discontinued operations</td>
<td>(1,809)</td>
<td>(2)</td>
</tr>
<tr>
<td>Loss for the year from discontinued operations</td>
<td>(1,809)</td>
<td>(2)</td>
</tr>
<tr>
<td>Exchange differences on retranslation of discontinued operations</td>
<td>(228)</td>
<td>(312)</td>
</tr>
<tr>
<td>Total comprehensive loss from discontinued operations</td>
<td>(2,037)</td>
<td>(314)</td>
</tr>
<tr>
<td>Operating activities</td>
<td>291</td>
<td>452</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(16)</td>
<td>(2)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>(343)</td>
<td>–</td>
</tr>
<tr>
<td>Net cash (outflow)/inflow</td>
<td>(68)</td>
<td>420</td>
</tr>
<tr>
<td>Closure-related costs</td>
<td>Closure-related costs of £3.1 million (2019: £nil) are included in administrative expenses in profit or loss.</td>
<td></td>
</tr>
<tr>
<td>Write-down of property, plant and equipment</td>
<td>Following the classification of SThree Australia as discontinued operations, certain items of property, plant and equipment were disposed of, resulting in a net loss on disposal of £0.1 million (2019: £nil) recognised within administrative expenses.</td>
<td></td>
</tr>
</tbody>
</table>

8 Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year excluding shares held as treasury shares (note 19(g)) and those held in the EBT, which for accounting purposes are treated in the same manner as shares held in the treasury reserve.

For diluted EPS, the weighted average number of shares in issue is adjusted to assume conversion of dilutive potential shares. Potential dilution resulting from tracker shares takes into account profitability of the underlying tracker businesses and SThree plc’s earnings per share. Therefore, the dilutive effect on EPS will vary in future periods depending on any changes in these factors.
8 Earnings per share continued

The following table reflects the income and share data used in the basic and diluted EPS calculations.

<table>
<thead>
<tr>
<th></th>
<th>2020 £'000</th>
<th>2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earnings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations before exceptional items</td>
<td>18,383</td>
<td>43,166</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>379</td>
<td>(1,845)</td>
</tr>
<tr>
<td><strong>Profit for the year attributable to owners of the Company</strong></td>
<td><strong>16,953</strong></td>
<td><strong>41,319</strong></td>
</tr>
<tr>
<td>Weighted average number of shares used for basic EPS</td>
<td>132.1</td>
<td>129.9</td>
</tr>
<tr>
<td>Diluted effect of share plans</td>
<td>4.3</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Diluted weighted average number of shares used for diluted EPS</strong></td>
<td><strong>136.4</strong></td>
<td><strong>133.6</strong></td>
</tr>
</tbody>
</table>

**Basic EPS**

<table>
<thead>
<tr>
<th></th>
<th>2020 pence</th>
<th>2019 pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing operations before exceptional items</td>
<td>13.9</td>
<td>33.2</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>0.3</td>
<td>(1.4)</td>
</tr>
<tr>
<td><strong>Basic EPS</strong></td>
<td><strong>12.8</strong></td>
<td><strong>31.8</strong></td>
</tr>
</tbody>
</table>

**Diluted EPS**

<table>
<thead>
<tr>
<th></th>
<th>2020 pence</th>
<th>2019 pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing operations before exceptional items</td>
<td>13.5</td>
<td>32.3</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>0.3</td>
<td>(1.4)</td>
</tr>
<tr>
<td><strong>Diluted EPS</strong></td>
<td><strong>12.5</strong></td>
<td><strong>30.9</strong></td>
</tr>
</tbody>
</table>

9 Dividends

<table>
<thead>
<tr>
<th></th>
<th>2020 £'000</th>
<th>2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim dividend of 5.1 pence (2018: 4.7 pence) per share1</td>
<td>6,659</td>
<td>6,056</td>
</tr>
<tr>
<td>Final dividend of nil pence (2018: 9.8 pence) per share2</td>
<td>= 12,722</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,659</strong></td>
<td><strong>18,778</strong></td>
</tr>
</tbody>
</table>

10 Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>Right-of-use assets £'000</th>
<th>Computer equipment £'000</th>
<th>Leasehold improvements £'000</th>
<th>Refurbishments and fittings £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 December 2018</td>
<td>–</td>
<td>10,919</td>
<td>10,104</td>
<td>5,057</td>
<td>26,080</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>1,555</td>
<td>965</td>
<td>582</td>
<td>3,122</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(3)</td>
<td>(59)</td>
<td>(62)</td>
<td>(122)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>–</td>
<td>(169)</td>
<td>(325)</td>
<td>(128)</td>
<td>(522)</td>
</tr>
<tr>
<td>At 30 November 2019</td>
<td>–</td>
<td>12,305</td>
<td>10,841</td>
<td>5,452</td>
<td>28,598</td>
</tr>
<tr>
<td>Adjustments due to IFRS 16</td>
<td>42,835</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>42,835</td>
</tr>
<tr>
<td>At 1 December 2019</td>
<td>42,835</td>
<td>12,305</td>
<td>10,841</td>
<td>5,452</td>
<td>71,433</td>
</tr>
<tr>
<td>Additions</td>
<td>5,198</td>
<td>4,070</td>
<td>403</td>
<td>149</td>
<td>9,820</td>
</tr>
<tr>
<td>Disposals</td>
<td>(2,923)</td>
<td>(301)</td>
<td>(828)</td>
<td>(147)</td>
<td>(4,199)</td>
</tr>
<tr>
<td>Revaluation</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>76</td>
<td>(20)</td>
<td>93</td>
<td>103</td>
<td>252</td>
</tr>
<tr>
<td><strong>At 30 November 2020</strong></td>
<td><strong>45,186</strong></td>
<td><strong>16,326</strong></td>
<td><strong>10,509</strong></td>
<td><strong>5,557</strong></td>
<td><strong>77,578</strong></td>
</tr>
</tbody>
</table>

Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>2020 £'000</th>
<th>2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 December 2018</td>
<td>–</td>
<td>9,466</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td></td>
<td>6,017</td>
</tr>
<tr>
<td>– continuing operations</td>
<td>–</td>
<td>3,682</td>
</tr>
<tr>
<td>– discontinued operations</td>
<td>–</td>
<td>19,165</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(3)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>–</td>
<td>(53)</td>
</tr>
<tr>
<td><strong>At 30 November 2019</strong></td>
<td>–</td>
<td>10,317</td>
</tr>
<tr>
<td><strong>Depreciation charge for the year</strong></td>
<td><strong>12,309</strong></td>
<td><strong>12,829</strong></td>
</tr>
<tr>
<td>– continuing operations</td>
<td><strong>12,739</strong></td>
<td><strong>7,367</strong></td>
</tr>
<tr>
<td>– discontinued operations</td>
<td><strong>310</strong></td>
<td><strong>22</strong></td>
</tr>
<tr>
<td>Disposals</td>
<td><strong>310</strong></td>
<td><strong>22</strong></td>
</tr>
<tr>
<td>Exchange differences</td>
<td><strong>8</strong></td>
<td><strong>43</strong></td>
</tr>
<tr>
<td><strong>At 30 November 2020</strong></td>
<td><strong>12,308</strong></td>
<td><strong>11,893</strong></td>
</tr>
</tbody>
</table>

Net book value

<table>
<thead>
<tr>
<th></th>
<th>2020 £'000</th>
<th>2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 30 November 2020</td>
<td><strong>32,878</strong></td>
<td><strong>4,433</strong></td>
</tr>
<tr>
<td><strong>At 30 November 2019</strong></td>
<td>–</td>
<td><strong>3,434</strong></td>
</tr>
<tr>
<td><strong>At 30 November 2020</strong></td>
<td><strong>983</strong></td>
<td><strong>4,574</strong></td>
</tr>
</tbody>
</table>

A depreciation charge of £16.7 million (2019: £3.1 million) was recognised in administrative expenses. During the year, certain assets with a net book value of £0.1 million (2019: £0.01 million) were disposed of, incurring a loss on disposal of £0.1 million (2019: generating a small gain).

The Company has no property, plant and equipment.

1. 2019 interim dividend of 5.1 pence (2018: 4.7 pence) per share was paid on 6 December 2019.
2. No final dividend for 2019 was approved by shareholders at the Annual General Meeting on 20 April 2020 (2018: 9.8 pence) as this was withdrawn by the Company in response to the COVID-19 health crisis.
3. No interim 2020 dividend was proposed due to continuation of COVID-19 health crisis (2019: 5.1 pence).
4. The Board has proposed a 2020 final dividend of 5.0 pence (2019: nil pence) per share, to be paid on 4 June 2021 to shareholders on record at 7 May 2021. This proposed final dividend is subject to approval by shareholders at the Company’s next Annual General Meeting on 22 April 2021, and therefore has not been included as a liability in these financial statements.
NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

11 Intangible assets

<table>
<thead>
<tr>
<th>Cost</th>
<th>Goodwill £’000</th>
<th>Computer software £’000</th>
<th>Assets under construction £’000</th>
<th>Software and system development costs £’000</th>
<th>Trade-marks £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 December 2018</td>
<td>206,313</td>
<td>9,079</td>
<td>1,319</td>
<td>40,173</td>
<td>71</td>
<td>256,955</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>– (51)</td>
<td>– (51)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification</td>
<td>–</td>
<td>(1,743)</td>
<td>1,743</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences</td>
<td>– (1)</td>
<td>–</td>
<td>– (1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 30 November 2019</td>
<td>206,313</td>
<td>9,078</td>
<td>737</td>
<td>42,159</td>
<td>71</td>
<td>258,358</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>98</td>
<td>510</td>
<td>608</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>– (2)</td>
<td>(1,737)</td>
<td>– (1,739)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification</td>
<td>–</td>
<td>(663)</td>
<td>391</td>
<td>(272)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences</td>
<td>–</td>
<td>–</td>
<td>(1)</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 30 November 2020</td>
<td>206,313</td>
<td>9,076</td>
<td>172</td>
<td>41,322</td>
<td>71</td>
<td>256,954</td>
</tr>
</tbody>
</table>

Accumulated amortisation and impairment

<table>
<thead>
<tr>
<th>Cost</th>
<th>Goodwill £’000</th>
<th>Computer software £’000</th>
<th>Assets under construction £’000</th>
<th>Software and system development costs £’000</th>
<th>Trade-marks £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 December 2018</td>
<td>205,480</td>
<td>8,973</td>
<td>32,822</td>
<td>71</td>
<td>247,346</td>
<td></td>
</tr>
<tr>
<td>Amortisation charge for the year</td>
<td>–</td>
<td>94</td>
<td>2,888</td>
<td>2,982</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences</td>
<td>– (1)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 30 November 2019</td>
<td>205,480</td>
<td>9,066</td>
<td>35,710</td>
<td>71</td>
<td>250,327</td>
<td></td>
</tr>
<tr>
<td>Amortisation charge for the year</td>
<td>- 8</td>
<td>- 2,778</td>
<td>- 2,786</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerated amortisation and impairment charge</td>
<td>–</td>
<td>–</td>
<td>1,124</td>
<td>1,124</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>– (2)</td>
<td>(1,737)</td>
<td>– (1,739)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification</td>
<td>–</td>
<td>–</td>
<td>47</td>
<td>47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 30 November 2020</td>
<td>205,480</td>
<td>9,072</td>
<td>37,922</td>
<td>71</td>
<td>252,545</td>
<td></td>
</tr>
</tbody>
</table>

Net book value

<table>
<thead>
<tr>
<th>Cost</th>
<th>Goodwill £’000</th>
<th>Computer software £’000</th>
<th>Assets under construction £’000</th>
<th>Software and system development costs £’000</th>
<th>Trade-marks £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 30 November 2020</td>
<td>833</td>
<td>4</td>
<td>172</td>
<td>3,400</td>
<td>–</td>
<td>4,409</td>
</tr>
<tr>
<td>At 30 November 2019</td>
<td>833</td>
<td>12</td>
<td>737</td>
<td>6,449</td>
<td>–</td>
<td>8,031</td>
</tr>
</tbody>
</table>

Additions to internally generated assets included the development of key operational systems to improve the customer experience and the enhancement of existing assets. Only costs directly attributable to the development and enhancement of these systems were capitalised during the year in accordance with the strict criteria under IAS 38.

An amortisation charge of £2.8 million (2019: £3.0 million) was included in administrative expenses.

Fair values of certain internally developed assets were assessed as no longer recoverable and impairment was required. Within the year to 30 November 2020, an impairment charge of £1.1 million was recognised (2019: £nil).

Disclosures required under IAS 36 Impairment of Assets for goodwill impairment have not been included on the basis that the goodwill value is not considered material.

The Company has no intangible assets.

12 Investments

Group

The following tables provide summarised information of the Group’s investment in unlisted technology start-up RoboRecruiter.

<table>
<thead>
<tr>
<th>30 November</th>
<th>30 November</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 £’000</td>
<td>2019 £’000</td>
</tr>
<tr>
<td>Equity investments</td>
<td>Current shareholding</td>
</tr>
<tr>
<td>RoboRecruiter</td>
<td>&lt;1% (2019: &lt;1%)</td>
</tr>
<tr>
<td>Movement in carrying value of the Group’s investment</td>
<td></td>
</tr>
<tr>
<td>At 1 December 2019</td>
<td>13</td>
</tr>
<tr>
<td>Fair valuation loss</td>
<td>(12)</td>
</tr>
<tr>
<td>At 30 November 2020</td>
<td>1</td>
</tr>
</tbody>
</table>

RoboRecruiter is a company that builds automated multichannel platforms connecting candidates with recruiters and employers in real time.

The Group’s minority shareholding in RoboRecruiter is less than 1% of the total share capital issued. The investment is a financial asset classified as measured at fair value through other comprehensive income. The fair value was determined based on the recent transaction price and is considered a level 1 valuation under the fair value hierarchy.

Company

<table>
<thead>
<tr>
<th>Cost £’000</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 December 2018</td>
<td>348,896</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
</tr>
<tr>
<td>- Settlement of vested tracker shares</td>
<td>3,744</td>
</tr>
<tr>
<td>- Settlement of unvested tracker shares</td>
<td>645</td>
</tr>
<tr>
<td>- Capital contribution relating to share-based payments</td>
<td>1,649</td>
</tr>
<tr>
<td>- Purchase of shares in a Group entity</td>
<td>345</td>
</tr>
<tr>
<td>At 30 November 2019</td>
<td>355,279</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
</tr>
<tr>
<td>- Settlement of vested tracker shares</td>
<td>123</td>
</tr>
<tr>
<td>- Settlement of unvested tracker shares</td>
<td>75</td>
</tr>
<tr>
<td>- Capital contribution relating to share-based payments</td>
<td>1,018</td>
</tr>
<tr>
<td>- Disposal of investments</td>
<td>(282)</td>
</tr>
<tr>
<td>At 30 November 2020</td>
<td>356,213</td>
</tr>
</tbody>
</table>

Provision for impairment

<table>
<thead>
<tr>
<th>Cost £’000</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 December 2018</td>
<td>134,980</td>
</tr>
<tr>
<td>Provision made during the year</td>
<td>8,159</td>
</tr>
<tr>
<td>At 30 November 2019</td>
<td>143,139</td>
</tr>
<tr>
<td>Provision made during the year</td>
<td>12,931</td>
</tr>
<tr>
<td>At 30 November 2020</td>
<td>156,070</td>
</tr>
</tbody>
</table>

Net carrying value

<table>
<thead>
<tr>
<th>Cost £’000</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 30 November 2020</td>
<td>200,143</td>
</tr>
<tr>
<td>At 30 November 2019</td>
<td>212,140</td>
</tr>
</tbody>
</table>
**12 Investments continued**

**Company**

Only an immaterial number of tracker shares were settled in the year as the annual buy-out process was postponed due to COVID-19. The Company settled tracker shares by awarding SThree plc shares (note 19(i)), resulting in an increase in the Company’s investment in relevant subsidiary businesses.

The Company also acquired certain unvested tracker shares where employees left the business prior to reaching the pre-agreed holding period. The details of the Group accounting policy for tracker share arrangements are included in note 1.

IFRS 2 requires that any options or awards granted to employees of subsidiary undertakings, without reimbursement by the subsidiary, increase the carrying value of the investment held in the subsidiaries. In 2020, the Company recognised a net increase in investments in its subsidiaries of £1.0 million (2019: £1.7 million) relating to such share options and awards.

**Investment impairment**

Due to a significant reduction in the trading activity caused by the health crisis in 2020, the UK’s performance did not fully support the recoverability of SThree plc’s investment in SThree UK Holdings Limited. As such, an impairment loss of £12.9 million (2019: £8.2 million) was recognised, based on value in use (‘VIU’) of the UK trading business at £91.1 million. For more details refer to the Strategic report, Business review of UK & Ireland.

The VIU valuation was determined from the pre-tax cash flows forecast to be generated by the UK entity in the next five years and into perpetuity. Cash flows were discounted to present value using a pre-tax weighted average cost of capital (‘WACC’) of 10.3% (2019: 12.2%) and a long-term growth rate of 2.0% (2019: 2.0%).

The impairment charge involves judgements and estimates prevailing at the time of the test. The actual outcomes may differ from the assumptions made. The Group considered reasonably possible changes to assumptions:

(i) apply a 5% reduction in forecast net fees. This would result in a further impairment of £22.1 million.

(ii) apply a 5% reduction to forecast EBITDA. This would result in a further impairment of £6.1 million.

(iii) increase in the Company’s investment in relevant subsidiary businesses.

A full list of the Company’s subsidiaries that existed as at 30 November 2020 is provided in note 25.

**13 Trade and other receivables continued**

Contract assets represent the Contract revenue earned but not invoiced at the year end. It is based on the value of the unbilled timesheets from the contractors for the services provided up to the year end. The corresponding costs are shown within trade payables (where the contractor has submitted an invoice) and within accruals (in respect of unsubmitted and unapproved timesheets) (note 15). Contract assets declined 12% year on year mainly due to the slowdown in the trading performance caused by the health crisis.

Amounts due from subsidiaries are subject to annual interest at a rate of 15 basis points in excess of the Group’s external borrowing costs under its Revolving Credit Facility.

The Group establishes an allowance for doubtful accounts that represents an estimate of expected credit losses in respect of trade and other receivables. Movements in the impairment provision for trade receivables are shown in the table below.

<table>
<thead>
<tr>
<th>Provision for impairment of trade receivables</th>
<th>30 November 2020 £'000</th>
<th>30 November 2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the beginning of the year</td>
<td>3,965</td>
<td>2,699</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>2,944</td>
<td>2,251</td>
</tr>
<tr>
<td>Bad debts written off</td>
<td>(1,264)</td>
<td>(483)</td>
</tr>
<tr>
<td>Reversed as amounts recovered</td>
<td>(1,752)</td>
<td>(432)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>110</td>
<td>(80)</td>
</tr>
<tr>
<td><strong>At the end of the year</strong></td>
<td><strong>4,013</strong></td>
<td><strong>3,965</strong></td>
</tr>
</tbody>
</table>

Other classes within trade and other receivables do not contain impaired assets. The Directors consider that the carrying value of trade and other receivables is approximately equal to their fair values and they are deemed to be current assets.

See note 23 for further information.

**14 Cash and cash equivalents**

<table>
<thead>
<tr>
<th>Group Company</th>
<th>30 November 2020 £'000</th>
<th>30 November 2019 £'000</th>
<th>30 November 2020 £'000</th>
<th>30 November 2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>50,363</td>
<td>15,093</td>
<td>893</td>
<td>633</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>(466)</td>
<td>(4,538)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Net cash and cash equivalents per the statements of cash flows**

<table>
<thead>
<tr>
<th>Group Company</th>
<th>30 November 2020 £'000</th>
<th>30 November 2019 £'000</th>
<th>30 November 2020 £'000</th>
<th>30 November 2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>49,895</td>
<td>15,555</td>
<td>893</td>
<td>633</td>
</tr>
</tbody>
</table>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets approximate their fair values. Substantially all of these assets are categorised within level 1 of the fair value hierarchy.

The Group has four cash pooling arrangements in place at HSBC US (USD), HSBC UK (GBP), NatWest (GBP) and Citibank (EUR).
NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

15 Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>Group 30 November 2020 £'000</th>
<th>Group 30 November 2019 £'000</th>
<th>Company 30 November 2020 £'000</th>
<th>Company 30 November 2019 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>44,528</td>
<td>54,424</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amounts due to subsidiaries (note 22)</td>
<td>-</td>
<td>-</td>
<td>97,296</td>
<td>73,526</td>
</tr>
<tr>
<td>Other taxes and social security</td>
<td>13,855</td>
<td>13,515</td>
<td>269</td>
<td>842</td>
</tr>
<tr>
<td>Other payables</td>
<td>13,040</td>
<td>11,948</td>
<td>3,982</td>
<td>1,353</td>
</tr>
<tr>
<td>Accruals</td>
<td>86,076</td>
<td>92,470</td>
<td>442</td>
<td>1,277</td>
</tr>
<tr>
<td></td>
<td>157,499</td>
<td>172,357</td>
<td>101,989</td>
<td>76,998</td>
</tr>
</tbody>
</table>

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Trade and other payables are predominantly interest free.

Trade payables are unsecured and are usually paid within 15 days of recognition.

Amounts due to subsidiaries are subject to annual interest at a rate of 15 basis points below the Group’s external borrowing costs under its Revolving Credit Facility.

Accruals include amounts payable to contractors in respect of unsubmitted and unapproved timesheets (note 13).

16 Other financial liabilities

The Group maintains a committed Revolving Credit Facility (‘RCF’) of £50.0 million along with an uncommitted £20.0 million accordion facility, with HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £70.0 million. The Group also has an uncommitted £5.0 million overdraft facility with HSBC. The Group has access to the Bank of England’s COVID-19 Corporate Financing Facility, a £50.0 million committed Commercial Paper facility, until 22 March 2021.

At the year end, the Group and the Company had drawn down £nil (2019: £nil) on these facilities, and the borrowed funds bear interest at a minimum annual rate of 1.3% (2019: 1.3%) above a three-month Sterling LIBOR. The average interest rate paid on the RCF during the year was 1.3% (2019: 2.0%).

The RCF is subject to certain covenants requiring the Group to maintain financial ratios over interest cover, leverage and guarantor cover (note 23(c)). The Group has complied with these covenants throughout the year. The RCF facility is available under these terms and conditions until April 2023.

Leases

Adoption of IFRS 16

The Group applied the modified retrospective transition approach on adoption of IFRS 16 and recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases (‘IAS 17’). The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 December 2019 was 1.7%.

The table below shows the reconciliation of operating leases commitments previously recognised under IAS 17 and lease liabilities initially recognised under IFRS 16:

<table>
<thead>
<tr>
<th></th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease commitments at 30 November 2019</td>
<td>55,562</td>
</tr>
<tr>
<td>Non-lease payments</td>
<td>(1,910)</td>
</tr>
<tr>
<td>Effect of discounting at the date of initial application</td>
<td>(10,633)</td>
</tr>
<tr>
<td>Lease liabilities recognised at 1 December 2019</td>
<td>43,019</td>
</tr>
</tbody>
</table>

Of which are:

<table>
<thead>
<tr>
<th></th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current lease liabilities</td>
<td>11,627</td>
</tr>
<tr>
<td>Non-current lease liabilities</td>
<td>31,392</td>
</tr>
</tbody>
</table>

In line with IFRS 16 transition options, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of accrued lease incentives relating to those leases, recognised in the Consolidated Statement of Financial Position at 30 November 2019. An immaterial amount of an onerous lease provision required an adjustment to the right-of-use assets at the date of initial application.
16 Other financial liabilities continued

Leasing activities

The leases which are recorded in the Consolidated Statement of Financial Position following implementation of IFRS 16 are principally in respect of buildings and cars.

The Group’s right-of-use assets and lease liabilities are presented below:

<table>
<thead>
<tr>
<th></th>
<th>30 November 2020 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>30,819</td>
</tr>
<tr>
<td>Cars</td>
<td>1,936</td>
</tr>
<tr>
<td>IT equipment</td>
<td>123</td>
</tr>
<tr>
<td>Total right-of-use assets</td>
<td>32,878</td>
</tr>
<tr>
<td>Current lease liabilities</td>
<td>12,078</td>
</tr>
<tr>
<td>Non-current lease liabilities</td>
<td>23,426</td>
</tr>
<tr>
<td>Total lease liabilities</td>
<td>35,504</td>
</tr>
</tbody>
</table>

17 Provisions

17 Provisions continued

(b) Information about individual provisions and significant estimates

Dilapidations

The Group is obliged to pay for dilapidations at the end of its tenancy of various properties. Provision was made based on independent professional estimates of the likely costs on vacating properties based on the current conditions of the properties. The provision is captured within the carrying value of the lease asset and depreciated to profit or loss over the lease term.

Restructuring and termination payments

At 30 November 2020, the provision comprised primarily future staff termination payments related to a number of employees who will exit the business in early 2021. Termination payments are provided for staff exiting SThree in the normal course of business. In the prior year, the outstanding balance of the provision was attributable mainly to senior leadership restructuring costs classified as exceptional.

The liability in regard to dilapidation, restructuring and termination payments provisions is expected to crystallise as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020 £’000</th>
<th>2019 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>5,237</td>
<td>740</td>
</tr>
<tr>
<td>One to five years</td>
<td>1,977</td>
<td>1,056</td>
</tr>
<tr>
<td>After five years</td>
<td>612</td>
<td>347</td>
</tr>
<tr>
<td>Total</td>
<td>7,826</td>
<td>2,143</td>
</tr>
</tbody>
</table>

Tracker share liability

The provision relates to an obligation to repay amounts received or receivable in relation to subscriptions for tracker shares awarded to senior individuals under the terms of the tracker share arrangements (note 1). The timing of economic outflow is subject to the factors governing each tracker share and is considered to be within one year.

During the year, £0.3 million (2019: £0.3 million) of the provision was utilised, principally in relation to settled tracker shares. New consideration of £0.3 million (2019: £0.5 million) represents subscriptions received against the allotment of new tracker share awards in the year.

Legal

The provision relates to various ongoing legal and other disputes including employee litigation, compliance with employment laws and regulations, and open enquiries with tax and pension authorities. The provision relates to separate claims in a number of different geographic regions and represents our most probable estimate of the likely outcome of each of the disputes. The timing of economic outflow is subject to the factors governing each case.

Onerous contract

The provision related to a property lease in New York which was vacated by the Group in 2018. Sublease of the property ended in August 2019 and the property remained unoccupied until the lease expired in December 2019. On transition to IFRS 16, the outstanding amount of onerous provision reduced the initial recognition value of the corresponding lease asset.

Provisions are not discounted as the Directors believe that the effect of the time value of money is immaterial. The provisions are measured at cost, which approximates to the present value of the expenditure required to settle the obligation.
18 Deferred tax

Group

<table>
<thead>
<tr>
<th></th>
<th>1 December 2018</th>
<th>1 December 2019</th>
<th>30 November 2019</th>
<th>30 November 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit/(charge) to income statement for the year</td>
<td>22</td>
<td>882</td>
<td>1,919</td>
<td>76</td>
</tr>
<tr>
<td>Prior year credit/(charge) to income statement for the year</td>
<td>108</td>
<td>689</td>
<td>544</td>
<td>770</td>
</tr>
<tr>
<td>Adjustment due to tax rate changes</td>
<td>(4)</td>
<td>12</td>
<td>1,819</td>
<td>898</td>
</tr>
<tr>
<td>Credit directly to equity</td>
<td>-</td>
<td>351</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(3)</td>
<td>(15)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>5,378</td>
<td>5,140</td>
<td>5,378</td>
<td>5,140</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(3,896)</td>
<td>(370)</td>
<td>(3,896)</td>
<td>(370)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>1,482</td>
<td>4,537</td>
<td>1,482</td>
<td>4,537</td>
</tr>
</tbody>
</table>

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so and when the deferred income taxes relate to the same fiscal authority. The following is an analysis of the deferred tax balances for financial reporting purposes:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating losses recognised</td>
<td>4,743</td>
<td>6,983</td>
<td>4,743</td>
<td>6,983</td>
</tr>
<tr>
<td>Operating losses not recognised</td>
<td>12,714</td>
<td>9,758</td>
<td>12,714</td>
<td>9,758</td>
</tr>
<tr>
<td>Total</td>
<td>17,457</td>
<td>16,741</td>
<td>17,457</td>
<td>16,741</td>
</tr>
</tbody>
</table>

Uncertain tax positions

An uncertain tax position in relation to transfer pricing risks increased during the year by £0.6 million to £1.3 million (2019: £0.7 million). In 2019 the Group also noted a contingent liability of £3.2 million in respect of the European Commission’s decision of April 2019 that certain parts of the UK’s controlled foreign company legislation gave rise to state aid. Whilst an annulment application was filed in October 2019, ongoing correspondence with HMRC has led the Group to reassess the probability of success. Whilst the position remains finely balanced, the Group considers it now more appropriate to recognise a provision of £1.3 million based on our assessment of the potential liability should the matter be settled.

Company

The Company’s deferred tax asset relates in full to the equity-settled share-based payments.
NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020

19 Share capital

Group and Company

(a) Share capital

Issued and fully paid

<table>
<thead>
<tr>
<th>Number of ordinary shares</th>
<th>Share capital £’000</th>
<th>Capital redemption reserve £’000</th>
<th>Treasury reserve £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 December 2018</td>
<td>130,809,154</td>
<td>1,319</td>
<td>172</td>
</tr>
<tr>
<td>Issue of new shares</td>
<td>636,595</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Repurchase of shares by Employee Benefit Trust</td>
<td>-</td>
<td>-</td>
<td>(2,506)</td>
</tr>
<tr>
<td>Utilisation of shares held by Employee Benefit Trust</td>
<td>-</td>
<td>-</td>
<td>2,086</td>
</tr>
<tr>
<td>Utilisation of treasury shares</td>
<td>971,583</td>
<td>-</td>
<td>3,245</td>
</tr>
<tr>
<td>At 30 November 2019</td>
<td>132,420,332</td>
<td>1,326</td>
<td>172</td>
</tr>
<tr>
<td>Issue of new shares</td>
<td>441,306</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Repurchase of shares by Employee Benefit Trust</td>
<td>-</td>
<td>-</td>
<td>(2,031)</td>
</tr>
<tr>
<td>Utilisation of shares held by Employee Benefit Trust</td>
<td>-</td>
<td>-</td>
<td>5,437</td>
</tr>
<tr>
<td>Utilisation of treasury shares</td>
<td>34,984</td>
<td>-</td>
<td>103</td>
</tr>
<tr>
<td>At 30 November 2020</td>
<td>132,896,622</td>
<td>1,330</td>
<td>172</td>
</tr>
</tbody>
</table>

The nominal value per ordinary share is £0.01 (2019: £0.01).

The Company does not have a limited amount of authorised share capital.

During the year 441,306 (2019: 636,595) new ordinary shares were issued, resulting in a share premium of £0.9 million (2019: £1.7 million). All new shares were issued pursuant to the exercise of share awards under the Save As You Earn (‘SAYE’) scheme. In the current year, no shares (2019: 475,738 shares) were issued on settlement of vested tracker shares.

Employee Benefit Trust

The Group holds shares in the Employee Benefit Trust (‘EBT’). The EBT is funded entirely by the Company and acquires shares in SThree plc to satisfy future requirements of the employee share-based payment schemes. For accounting purposes, shares held in the EBT are treated in the same manner as shares held in the treasury reserve and are, therefore, included in the financial statements as part of the treasury reserve for the Group.

During the year, the EBT purchased 645,122 (2019: 860,000) SThree plc shares. The average price paid per share was 315.1pence (2019: 291.1pence). The total acquisition cost of these shares was £2.0 million (2019: £2.5 million), for which the treasury reserve was reduced. During the year, the EBT utilised 1,712,522 (2019: 634,386) of the shares held in the EBT on settlement of LTIP awards. At the year end, the EBT held 3,034,538 (2019: 634,386) shares.

TREASURY RESERVE

Treasury shares represent SThree plc shares repurchased and available for specific purposes at the year end, 158,997 (2019: 974,583) shares were utilised from treasury reserve on settlement of vested tracker shares.

(b) Share-based payments

Tracker share awards in subsidiary companies

As described in note 1, the Group makes tracker share awards in respect of certain subsidiary businesses to senior individuals who participate in the development of those businesses.

During the year, the Group settled certain vested tracker shares for a total consideration of £0.3 million (2019: £0.5 million). The Group has no legal or constructive obligation to repurchase or settle the options in cash. The schemes are detailed below.

The Group also issued new tracker share awards during the year for subscription value of £0.3 million (2019: £0.5 million).

LTP, SAYE and other share schemes

The Group has a number of share schemes to incentivise its Directors and employees. All schemes are treated as equity-settled (except Share Incentive Plans (‘SIP’)) as the Group has no legal or constructive obligation to repurchase or settle the options in cash. The schemes are detailed below.

SAYE

During the year, the EBT purchased 645,122 (2019: 860,000) SThree plc shares. The average price paid per share was 315.1pence (2019: 291.1pence). The total acquisition cost of these shares was £2.0 million (2019: £2.5 million), for which the treasury reserve was reduced. During the year, the EBT utilised 1,712,522 (2019: 634,386) of the shares held in the EBT on settlement of LTIP awards. At the year end, the EBT held 3,034,538 (2019: 634,386) shares.

TREASURY RESERVE

Treasury shares represent SThree plc shares repurchased and available for specific and limited purposes.

During the year, 33,949 (2019: 974,583) shares were utilised from treasury reserve on settlement of vested tracker shares.

At the year end, 35,767 (2019: 70,751) shares were held in treasury.

(b) Share-based payments

Tracker share awards in subsidiary companies

As described in note 1, the Group makes tracker share awards in respect of certain subsidiary businesses to senior individuals who participate in the development of those businesses.

During the year, the Group settled certain vested tracker shares for a total consideration of £0.3 million (2019: £0.5 million) using treasury shares purchased from the market. This resulted in a credit to capital reserves for treasury shares, with a corresponding debit to the Group’s retained earnings and provision for tracker share liability.

The 2020 share options granted in 2020 under the Group LTIP scheme were valued as follows:

Out of the 4,458,174 options outstanding (2019: 5,629,434), 194,547 options were exercisable (2019: 518,443). Options exercised during the year under the LTIP were satisfied by shares held in the EBT. The related weighted average share price of the time of exercise was £2.79 (2019: £2.86). The related transaction costs were negligible. The share options had a weighted average exercise price of £0.3 million (2019: £0.5 million).
19 Share capital continued

Other schemes
The SAYE and SIP arrangements are not deemed material for further disclosure.

20 Contingencies

Legal
The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. Legal advice obtained indicates that it is unlikely that any significant liability will arise.

The Directors are of the view that no material losses will arise in respect of legal claims that were not provided against at the date of these financial statements.

21 Commitments

Capital commitments
At the year end, the Group had capital commitments for property, plant and equipment amounting to £0.8 million (2019: £0.6 million).

Guarantees
At the year end, the Group/SThree plc had bank guarantees in issue for commitments which amounted to £3.6 million (2019: £3.6 million).

Company
In 2020, selected UK subsidiaries (see note 25) were exempt from the requirements of the UK Companies Act 2006 ("the Act") relating to the audit of individual accounts by virtue of s479A of the Act. The Company provides a guarantee concerning the outstanding liabilities of these subsidiaries under Section 479C of the Act.

22 Related party transactions

Group
Balances and transactions with subsidiaries were eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its Directors and members of the Executive Committee, who are deemed to be key management personnel, are disclosed below.

Remuneration of key management personnel ("KMP")
The Group’s KMP comprises members of the Executive Committee, other members of the Board of Directors and key managers who are deemed to influence the day-to-day activities. Details of Directors’ remuneration, as determined by the SThree plc Remuneration Committee in accordance with its stated policy, are given in the Directors’ remuneration report.

The total number of KMP for the year was 18 (2019: 13). Total remuneration for members of KMP is detailed below:

<table>
<thead>
<tr>
<th></th>
<th>2020  £’000</th>
<th>2019  £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>5,267</td>
<td>5,967</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>62</td>
<td>1,752</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>166</td>
<td>331</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>244</td>
<td>488</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,739</strong></td>
<td><strong>8,538</strong></td>
</tr>
</tbody>
</table>

Company
The Company has related party relationships with its subsidiaries, with members of its Board and key managers. The Directors’ remuneration which they receive from the Company is disclosed in the Directors’ remuneration report.

The Company did not have any transactions with the Directors during the financial year other than those disclosed in the Directors’ remuneration report and below. Details of transactions between the Company and other related parties are disclosed below:

<table>
<thead>
<tr>
<th>Transactions with the related parties during the year</th>
<th>2020 £’000</th>
<th>2019 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in subsidiaries (note 12)</td>
<td>(934)</td>
<td>(6,383)</td>
</tr>
<tr>
<td>Impairment of investments in subsidiaries (note 12)</td>
<td>(12,931)</td>
<td>(8,159)</td>
</tr>
<tr>
<td>Loans and advances received from subsidiaries</td>
<td>23,770</td>
<td>51,119</td>
</tr>
<tr>
<td>Loans and advances repaid by subsidiaries</td>
<td>(8)</td>
<td>(9939)</td>
</tr>
<tr>
<td>Loans repaid by Directors</td>
<td>46</td>
<td>1</td>
</tr>
<tr>
<td>Loans repaid by other KMP</td>
<td>=</td>
<td>4</td>
</tr>
<tr>
<td>Interest income received from subsidiaries</td>
<td>=</td>
<td>36</td>
</tr>
<tr>
<td>Interest paid by subsidiaries</td>
<td>(1,105)</td>
<td>(708)</td>
</tr>
</tbody>
</table>

No purchase or sales transactions were entered into between the Company and its subsidiaries.

Year-end balances arising from transactions with related parties

<table>
<thead>
<tr>
<th>Year-end balances arising from transactions with related parties</th>
<th>30 November 2020 £’000</th>
<th>30 November 2019 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in subsidiaries</td>
<td>200,143</td>
<td>212,140</td>
</tr>
<tr>
<td>Amounts due to subsidiaries</td>
<td>(97,296)</td>
<td>(73,526)</td>
</tr>
<tr>
<td>Amounts receivable from subsidiaries – net</td>
<td>=</td>
<td>8</td>
</tr>
<tr>
<td>Amounts receivable from Directors</td>
<td>10</td>
<td>186</td>
</tr>
<tr>
<td>Amounts receivable from other KMP</td>
<td>169</td>
<td>169</td>
</tr>
</tbody>
</table>
23 Financial instruments and financial risk management

Financial instruments

The Group holds and uses financial instruments to finance its operations and to manage its interest rate and liquidity risks. The Group primarily finances its operations using share capital, revenue and borrowings.

The accounting classification of each category of financial instruments and their carrying amounts are set out below.

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Measured at amortised cost £'000</th>
<th>Elected to be measured at FV £'000</th>
<th>Total carrying amount £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities</td>
<td>Note</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>14 (468)</td>
<td></td>
<td>(468)</td>
</tr>
<tr>
<td>Trade payables and accruals</td>
<td>15 (130,604)</td>
<td>(130,604)</td>
<td></td>
</tr>
<tr>
<td>Other payables1</td>
<td>16 (9,943)</td>
<td>(9,943)</td>
<td>(9,943)</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>16 (35,504)</td>
<td>(35,504)</td>
<td>(35,504)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Measured at amortised cost £'000</th>
<th>Elected to be measured at FV £'000</th>
<th>Total carrying amount £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>12 - 1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Trade receivables and accrued income</td>
<td>13 226,832</td>
<td>226,832</td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>13 3,219</td>
<td>3,219</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14 50,363</td>
<td>50,363</td>
<td></td>
</tr>
</tbody>
</table>

Financial liabilities

At the year end, the Group had net foreign exchange swaps of:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2020 local currency £'000</th>
<th>2020 FV £'000</th>
<th>2019 local currency £'000</th>
<th>2019 FV £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Arab Emirates Dirham (AED)</td>
<td>5,785</td>
<td>1,182</td>
<td>(5,680)</td>
<td>(1,196)</td>
</tr>
<tr>
<td>Australian Dollar (AUD)</td>
<td>699</td>
<td>385</td>
<td>1,619</td>
<td>847</td>
</tr>
<tr>
<td>Canadian Dollar (CAD)</td>
<td>(150)</td>
<td>(87)</td>
<td>(200)</td>
<td>(116)</td>
</tr>
<tr>
<td>Swiss Franc (CHF)</td>
<td>(2,103)</td>
<td>(1,736)</td>
<td>(1,902)</td>
<td>(1,470)</td>
</tr>
<tr>
<td>Euro (EUR)</td>
<td>18,480</td>
<td>16,541</td>
<td>(4,663)</td>
<td>(3,972)</td>
</tr>
<tr>
<td>Hong Kong Dollar (HKD)</td>
<td>9,385</td>
<td>909</td>
<td>14,126</td>
<td>1,395</td>
</tr>
<tr>
<td>Japanese Yen (JPY)</td>
<td>15,253</td>
<td>110</td>
<td>224,170</td>
<td>1,583</td>
</tr>
<tr>
<td>Singapore Dollar (SGD)</td>
<td>(2,600)</td>
<td>(1,454)</td>
<td>(924)</td>
<td>(522)</td>
</tr>
<tr>
<td>US Dollar (USD)</td>
<td>15,997</td>
<td>12,006</td>
<td>10,719</td>
<td>8,289</td>
</tr>
<tr>
<td>Total</td>
<td>27,856</td>
<td>21,034</td>
<td>224,170</td>
<td>17,628</td>
</tr>
</tbody>
</table>

The contracts were mainly taken out close to the year-end date for a period of 31 to 37 days (2019: 32 to 36 days), and they had net positive fair value of £0.1 million (2019: immaterial net positive fair value) at the year end.

The Group is exposed to a number of different financial risks including capital management, foreign currency rates, liquidity, credit and interest rates risks, which were not materially changed from the previous year. The Group’s objective and strategy in responding to these risks are set out below and did not change materially from the previous year.

(a) Capital risk management

The Group’s objectives when managing capital are to safeguard the Group and its subsidiaries’ ability to continue as going concerns in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, delay or reduce the settlement of vested tracker shares, sell assets to reduce debt, return capital to shareholders or issue new shares, subject to applicable rules. The Group’s policy is to settle the vested tracker shares in the Company’s shares. During the year, the vested tracker shares were settled by issue of new shares or using treasury shares purchased from the market (note 19(a)).
23 Financial instruments and financial risk management continued

The capital structure of the Group consists of equity attributable to owners of the parent of £128.5 million (2019: £116.8 million), comprising share capital, share premium, other reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity and cash of £49.9 million (2019: £10.6 million), comprising cash and cash equivalents less bank overdraft (note 14).

In 2020, the Group reported net cash of £49.9 million (2019: net cash of £10.6 million). Except for compliance with certain bank covenants (note 23(c)), the Group is not subject to any externally imposed capital requirements.

(b) Foreign currency exchange risk management

The Group uses Sterling as its presentation currency. It undertakes transactions in a number of foreign currencies. Consequently, exposures to exchange rate fluctuations do arise. Such exchange rate movements affect the Group’s transactional revenues, cost of sales, the translation of earnings and the net assets/liabilities of its overseas operations. The Group is also exposed to foreign currency risks from the value of net investments outside the United Kingdom. The intercompany loans which are treated as net investments in foreign operations are not planned to be settled in the foreseeable future as they are deemed to be a part of the investment. Therefore, exchange differences arising from the translation of the net investment loans are taken into equity.

The Group’s businesses generally raise invoices and incur expenses in their local currencies. Local currency cash generated is remitted via intercompany transfers to the United Kingdom. The Group generally converts foreign currency balances into Sterling to manage its cash flows.

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and the US Dollar. If the Euro or the US Dollar strengthened against Sterling by a movement of 10%, the anticipated impact on the Group’s results in terms of translational exposure would be an increase in profit before income tax of £4.4 million and £2.4 million (2019: £5.9 million and £2.3 million) respectively, with a similar decrease if the Euro or the US Dollar weakened against Sterling by 10%.

(c) Liquidity risk management

The Group’s treasury function centrally co-ordinates relationships with banks, manages borrowing requirements, foreign exchange needs and cash management. The Group has access to the Bank of England’s COVID-19 Corporate Financing Facility, to increase its total borrowings under the facility to £70.0 million. The Group also has an uncommitted £5.0 million overdraft facility with HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £70.0 million. The Group has access to the Bank of England’s COVID-19 Corporate Financing Facility, a £50.0 million committed Commercial Paper facility, until 22 March 2021. At the year end, £nil (2019: £nil) was drawn.

The Group’s businesses generally raise invoices and incur expenses in their local currencies. Local currency cash generated is remitted via intercompany transfers to the United Kingdom. The Group generally converts foreign currency balances into Sterling to manage its cash flows.

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and the US Dollar. If the Euro or the US Dollar strengthened against Sterling by a movement of 10%, the anticipated impact on the Group’s results in terms of translational exposure would be an increase in profit before income tax of £4.4 million and £2.4 million (2019: £5.9 million and £2.3 million) respectively, with a similar decrease if the Euro or the US Dollar weakened against Sterling by 10%.

(d) Credit risk management

(i) Risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In the normal course of business, the Group participates in cash pooling arrangements with its counterparty bank. The maximum exposure to a single banking group for deposits and funds held on account at the year end was £26.7 million (2019: £5.3 million). The Group will not accept any counterparty bank for its deposits unless it has been awarded a minimum recognised credit rating of A3/Prime-2 (Moody’s). Some local banks in emerging markets may have lower ratings but the funds at risk will be small. The Group will permit exposures with individual counterparty banks and exposure types up to pre-defined limits as part of the Group treasury policy. Exposure to all transaction limits is monitored daily.

The Group mitigates its credit risk from trade receivables by using a credit rating agency to assess new clients and payment history to consider further credit extensions to existing clients. In addition, the spread of the client base (over 9,000 clients) helps to mitigate the risk of individual client failure having a material impact on the Group. The Group does not typically renegotiate the terms of trade receivables; hence the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at the year end.

The Group’s credit risk from loans given to certain tracker shareholders (note 13) is mitigated by the fact that the loans are spread over a number of individuals (2020: 13 individuals; 2019: 14 individuals) and none of the individuals hold loans of material amounts. Exposure to loans from individuals is regularly monitored and the individuals are asked to settle all or a portion of their outstanding balances when their first tracker share is settled, when they receive dividends or if they leave the business.

(ii) Credit rating

The Group uses the following categories of internal credit rating risk for financial assets which are subject to expected credit losses under the three-stage general approach. These categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

<table>
<thead>
<tr>
<th>Category of internal credit rating</th>
<th>Definition of category</th>
<th>Basis of recognition of expected credit losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing</td>
<td>Clients have a low risk of default and a strong capacity to meet contractual cash flows</td>
<td>12-month expected credit losses</td>
</tr>
<tr>
<td>Underperforming/non-performing</td>
<td>Clients renegotiating for new credit terms, default in repayment and other relevant indicators that showed customers’ deteriorating financial condition</td>
<td>Lifetime expected credit losses</td>
</tr>
<tr>
<td>Non-performing</td>
<td>Interest and/or principal payment are 90 days past due</td>
<td>Lifetime expected credit losses</td>
</tr>
<tr>
<td>Write-off</td>
<td>Clients with no reasonable expectation of recovery</td>
<td>Asset is written off</td>
</tr>
</tbody>
</table>

The Group is not subject to any externally imposed capital requirements.

Notes to the Financial Statements

CONTINUED

for the year ended 30 November 2020

23 Financial instruments and financial risk management continued

The table below shows the maturity profile of the financial liabilities which are held at amortised cost based on the contractual amounts payable on the date of repayment:

<table>
<thead>
<tr>
<th></th>
<th>Lease liabilities</th>
<th>Trade and other payables, including bank overdrafts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group £'000</td>
<td>Company £'000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Group £'000</td>
</tr>
<tr>
<td>At 30 November 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>12,078</td>
<td>141,015</td>
</tr>
<tr>
<td>More than one year</td>
<td>23,426</td>
<td></td>
</tr>
<tr>
<td></td>
<td>35,504</td>
<td>141,015</td>
</tr>
<tr>
<td>At 30 November 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td></td>
<td>161,334</td>
</tr>
</tbody>
</table>
23 Financial instruments and financial risk management continued

(iii) Impairment of financial assets

The Company has applied the simplified approach by using the provision matrix to measure the lifetime expected credit losses for trade receivables and contract assets.

At 30 November 2020, cash and cash equivalents, other receivables and refundable deposits are rated with a ‘performing’ internal credit rating. The credit risks on bank balances, other receivables and deposits are low as these balances are placed with reputable financial institutions or companies with good collection track records with the Group.

To measure the expected credit losses, the Group considers historical payment patterns and credit characteristics of each customer and adjusts for forward-looking information such as future prospects of the clients’ core operating industries, the political and economic environment in which the Group’s clients operate, and other information and factors on the clients’ financial condition.

Notwithstanding the above, the Group evaluates the expected credit loss on clients in financial difficulties and who have defaulted on payments separately. These receivables are not secured by any collateral or credit enhancements.

Trade and other receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group’s credit risk exposure in relation to trade receivables and contract assets as at 30 November 2020 and 30 November 2019 is set out in the provision matrix as follows:

### 30 November 2020

<table>
<thead>
<tr>
<th></th>
<th>Current £'000</th>
<th>1–30 days past due £'000</th>
<th>31–60 days past due £'000</th>
<th>61–120 days past due £'000</th>
<th>More than 120 days past due £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected loss rates</td>
<td>0.00%</td>
<td>0.06%</td>
<td>0.50%</td>
<td>5.49%</td>
<td>55.00%</td>
<td>65.05%</td>
</tr>
<tr>
<td>Gross trade receivables</td>
<td>134,027</td>
<td>21,104</td>
<td>6,627</td>
<td>4,589</td>
<td>6,736</td>
<td>173,083</td>
</tr>
<tr>
<td>Contract assets</td>
<td>57,762</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>57,762</td>
</tr>
<tr>
<td>Other assets</td>
<td>3,219</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,219</td>
</tr>
<tr>
<td>Loss allowances</td>
<td>10</td>
<td>13</td>
<td>33</td>
<td>252</td>
<td>3,705</td>
<td>4,013</td>
</tr>
</tbody>
</table>

### 30 November 2019

<table>
<thead>
<tr>
<th></th>
<th>Current £'000</th>
<th>1–30 days past due £'000</th>
<th>31–60 days past due £'000</th>
<th>61–120 days past due £'000</th>
<th>More than 120 days past due £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected loss rates</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>2.45%</td>
<td>35.90%</td>
<td>38.35%</td>
</tr>
<tr>
<td>Gross trade receivables</td>
<td>149,025</td>
<td>24,069</td>
<td>6,653</td>
<td>3,924</td>
<td>10,777</td>
<td>194,448</td>
</tr>
<tr>
<td>Contract assets</td>
<td>65,693</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>65,693</td>
</tr>
<tr>
<td>Other assets</td>
<td>4,327</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,327</td>
</tr>
<tr>
<td>Loss allowances</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>96</td>
<td>3,869</td>
<td>3,965</td>
</tr>
</tbody>
</table>

23 Financial instruments and financial risk management continued

(e) Interest rate risk management

The Group is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally financial liabilities. The Group finances its operations through a mixture of retained profit and the RCF.

The Group does not hedge the exposure to variations in interest rates. Taking into consideration all variable rate borrowings and bank balances at 30 November 2020, if the interest rate payable or receivable moved by 100 basis points in either direction, the effect to the Group would be minimal. 100 basis points was used on the assumption that applicable interest rates are not likely to move by more than this basis given the pattern of interest rate movements in recent years.

(f) Interest rate profile of financial assets/(liabilities)

At the reporting date, the Group and the Company did not have any significant financial liabilities exposed to interest rate risk. The only financial assets which accrued interest were cash and cash equivalents (note 14) with maturity of less than a year and were subject to floating interest income.

(g) Currency profile of net cash and cash equivalents (including bank overdrafts)

Functional currency of Group operations:

<table>
<thead>
<tr>
<th></th>
<th>Sterling £'000</th>
<th>Euro £'000</th>
<th>US Dollar £'000</th>
<th>Other currencies £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 30 November 2020</td>
<td>17,461</td>
<td>10,331</td>
<td>9,556</td>
<td>117</td>
<td>37,465</td>
</tr>
<tr>
<td></td>
<td>71</td>
<td>5,122</td>
<td>-</td>
<td>-</td>
<td>5,193</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>6</td>
<td>634</td>
<td>6,584</td>
<td>7,220</td>
</tr>
<tr>
<td></td>
<td>17,538</td>
<td>15,459</td>
<td>10,197</td>
<td>6,701</td>
<td>49,895</td>
</tr>
</tbody>
</table>

At 30 November 2019

<table>
<thead>
<tr>
<th></th>
<th>Sterling £'000</th>
<th>Euro £'000</th>
<th>US Dollar £'000</th>
<th>Other currencies £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional currency</td>
<td>989</td>
<td>(802)</td>
<td>836</td>
<td>188</td>
<td>1,211</td>
</tr>
<tr>
<td></td>
<td>72</td>
<td>4,619</td>
<td>-</td>
<td>-</td>
<td>4,691</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>566</td>
<td>-</td>
<td>566</td>
</tr>
<tr>
<td></td>
<td>26</td>
<td>-</td>
<td>308</td>
<td>3,753</td>
<td>4,087</td>
</tr>
<tr>
<td></td>
<td>1,087</td>
<td>3,817</td>
<td>1,710</td>
<td>3,941</td>
<td>10,555</td>
</tr>
</tbody>
</table>

Other foreign currencies held by the Group include Australian Dollar, Canadian Dollar, Chinese Renminbi, Hong Kong Dollar, Indian Rupee, Japanese Yen, Malaysian Ringgit, Norwegian Krone, Qatari Riyal, Singapore Dollar, Saudi Arabia Riyal, Swiss Franc and United Arab Emirates Dirham.

The Company does not have a material exposure to other currencies.
23 Financial instruments and financial risk management continued

(h) Fair value
For all financial instruments, the carrying amount is either the fair value, or approximates the fair value.

Fair value is the amount at which a financial instrument could be exchanged in an arm’s length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest.

Where relevant, market values were used to determine fair values. Where market values were not available, fair value was calculated by discounting expected cash flows at prevailing interest rates and by applying year-end exchange rates.

The following table shows the fair value of financial assets within the Group, including their level in the fair value hierarchy. It does not include fair value information for financial assets or financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Level 1</th>
<th>2020 £’000</th>
<th>2019 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity rights</td>
<td></td>
<td>1</td>
<td>13</td>
</tr>
</tbody>
</table>

The following table shows the changes during the year in the net fair value of investments within level 1 of the fair value hierarchy. The fair valuation of investments in equity rights started on the date of initial application of IFRS 9.

| At 1 December 2019 | 13            |   |
| Losses recognised in other comprehensive income | 10             |   |

Summary of methods and assumptions
Receivables and payables
Due to the short-term nature of the current receivables and payables, their carrying amount is considered to be the same as their fair value.

Cash and cash equivalents, including short-term deposits
Approximates the carrying amount because of the short maturity of these instruments.

Investments
Market valuation at the end of the reporting year.

Borrowings
The carrying amount of the Group’s borrowings, primarily the RCF, approximates their fair value. The fair value of the RCF is estimated using discounted cash flow analysis based on the Group’s current incremental borrowing rates for similar types and maturities of borrowing and is consequently categorised in level 2 of the fair value hierarchy.

24 Events after the reporting date
The Group is affected by the European Commission’s investigation of the state aid received by foreign subsidiaries controlled by the Company. In 2020 it was determined that it was no longer probable that the uncertain tax treatment surrounding this issue will be accepted. As such, a provision for £1.3 million was recognised in the current year.

On 17 December 2020, the Taxation (Post-Transition Period) 2019-21 Act received Royal Assent. Following this, HMRC have now notified the Group that it intends to issue an assessment recovering unlawful state aid in relation to the issue referred to above and separately in note 18 Uncertain tax provisions. The Directors’ best estimate of this assessment is the amount we have provided in the accounts, and such payment of £1.3 million would fall due within 30 days of issue of the assessment. Payment of this amount does not affect the legal cases in process at the ECJ and, as such, the final liability will not be determined until the legal process is complete.

25 List of subsidiaries
The full list of SThree plc’s subsidiaries at 30 November 2020 and the Group percentage of ordinary share capital and voting rights is as follows:

<table>
<thead>
<tr>
<th>Name of undertaking</th>
<th>%</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Registered office</th>
</tr>
</thead>
<tbody>
<tr>
<td>SThree Australia Pty Limited</td>
<td>100</td>
<td>Australia</td>
<td>Recruitment</td>
<td>DLA Piper Australia, Level 17, 140 Willicom Street, Melbourne VIC 3000, Australia</td>
</tr>
<tr>
<td>SThree Austria GmbH</td>
<td>100</td>
<td>Austria</td>
<td>Recruitment</td>
<td>Wiedner Gürtel 13, Turm 24, 10 OG, 1100 Wien, Austria</td>
</tr>
<tr>
<td>SThree Temp Experts Österreich GmbH</td>
<td>100</td>
<td>Austria</td>
<td>Recruitment</td>
<td>Wiedner Gürtel 13, Turm 24, 10 OG, 1100 Wien, Austria</td>
</tr>
<tr>
<td>Computer Futures Solutions NV</td>
<td>100</td>
<td>Belgium</td>
<td>Recruitment</td>
<td>Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium</td>
</tr>
<tr>
<td>Huxley Associates Belgium NV</td>
<td>100</td>
<td>Belgium</td>
<td>Recruitment</td>
<td>Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium</td>
</tr>
<tr>
<td>SThree Services NV</td>
<td>100</td>
<td>Belgium</td>
<td>Recruitment</td>
<td>Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium</td>
</tr>
<tr>
<td>SThree Belgium NV</td>
<td>100</td>
<td>Belgium</td>
<td>Recruitment</td>
<td>Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium</td>
</tr>
<tr>
<td>SThree Canada Limited</td>
<td>100</td>
<td>Canada</td>
<td>Recruitment</td>
<td>Sun Life Plaza West Tower, 144 Avenue SW, Suite 1600, Calgary AB T2P 3N4, Canada</td>
</tr>
<tr>
<td>SThree SAS</td>
<td>100</td>
<td>France</td>
<td>Recruitment</td>
<td>170 Boulevard de la Villette, 75019, Paris, France</td>
</tr>
<tr>
<td>SThree Holdings GmbH</td>
<td>100</td>
<td>Germany</td>
<td>Holding company</td>
<td>Goetheplatz 5-11, 60313, Frankfurt am Main, Germany</td>
</tr>
<tr>
<td>SThree GmbH</td>
<td>100</td>
<td>Germany</td>
<td>Recruitment</td>
<td>Goetheplatz 5-11, 60313, Frankfurt am Main, Germany</td>
</tr>
<tr>
<td>SThree Temp Experts GmbH</td>
<td>100</td>
<td>Germany</td>
<td>Recruitment</td>
<td>Goetheplatz 5-11, 60313, Frankfurt am Main, Germany</td>
</tr>
<tr>
<td>SThree Limited</td>
<td>100</td>
<td>Hong Kong</td>
<td>Recruitment</td>
<td>10th Floor, MassMental Tower, 33 Lockhart Road, Wan Chai, Hong Kong</td>
</tr>
<tr>
<td>SThree India Private Limited</td>
<td>100</td>
<td>India</td>
<td>Under liquidation</td>
<td>511 The Corporate Centre, Nirmal Lifestyle Mall, 1RS Road, Mulund (West), Mumbai, Maharashtra-MH. 400080, India</td>
</tr>
<tr>
<td>SThree Staffing Ireland Limited</td>
<td>100</td>
<td>Ireland</td>
<td>Recruitment</td>
<td>3rd Floor, 80 Harcourt Street, Dublin, Ireland</td>
</tr>
<tr>
<td>SThree K.K.</td>
<td>100</td>
<td>Japan</td>
<td>Recruitment</td>
<td>Ginza Wall Building, 13-16 Ginza 6-Chome, Chuo-ku, Tokyo, Japan</td>
</tr>
<tr>
<td>SThree S.à r.l.</td>
<td>100</td>
<td>Luxembourg</td>
<td>Recruitment</td>
<td>5th Floor, 2 rue de Fosse, L-1536, Luxembourg</td>
</tr>
<tr>
<td>Progressive Global Energy Sdn. Bhd.</td>
<td>49</td>
<td>Malaysia</td>
<td>Recruitment</td>
<td>10th Floor, Menara Hop Seng, No 18, Jalan P Ramlee, 50250 Kuala Lumpur, Malaysia</td>
</tr>
</tbody>
</table>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 November 2020
### 25 List of subsidiaries continued

<table>
<thead>
<tr>
<th>Name of undertaking</th>
<th>%</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Registered office</th>
<th>Registered number</th>
</tr>
</thead>
<tbody>
<tr>
<td>SThree Holdings BV</td>
<td>100</td>
<td>Netherlands</td>
<td>Recruitment</td>
<td>Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands</td>
<td>24295090</td>
</tr>
<tr>
<td>Huxley BV</td>
<td>100</td>
<td>Netherlands</td>
<td>Recruitment</td>
<td>De 5 Keizers, Keizersgracht 281, 5th floor, 1016 ED Amsterdam, Netherlands</td>
<td>54742730</td>
</tr>
<tr>
<td>SThree Interim Services BV</td>
<td>100</td>
<td>Netherlands</td>
<td>Recruitment</td>
<td>Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands</td>
<td>58612122</td>
</tr>
<tr>
<td>SThree Pte. Ltd.</td>
<td>100</td>
<td>Singapore</td>
<td>Recruitment</td>
<td>#09-02, 18 Cross Street, China Square Central, Singapore, 48423, Singapore</td>
<td>200720126E</td>
</tr>
<tr>
<td>SThree Business Services Ibérica, S.L.</td>
<td>100</td>
<td>Spain</td>
<td>Recruitment</td>
<td>WeWork, Glories, Carrer Tanger 86, 08018 Barcelona, Spain</td>
<td>B87900593</td>
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<tr>
<td>SThree Switzerland GmbH</td>
<td>100</td>
<td>Switzerland</td>
<td>Recruitment</td>
<td>3rd Floor, Cliandertstrasse 34, 8002 Zürich, Switzerland</td>
<td>CH-020.4.D44.653-4</td>
</tr>
<tr>
<td>Cavendish Directors Limited*</td>
<td>100</td>
<td>UK</td>
<td>Dormant</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>04326688</td>
</tr>
<tr>
<td>SThree UK Holdings Limited*</td>
<td>100</td>
<td>UK</td>
<td>Holding company</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>03804468</td>
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<tr>
<td>SThree Overseas Holdings Limited*</td>
<td>100</td>
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<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
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<tr>
<td>SThree UK Management Limited*</td>
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<td>Holding company</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
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<tr>
<td>SThree Overseas Management Limited*</td>
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<td>Holding company</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>07846499</td>
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<tr>
<td>SThree UK Operations Limited*</td>
<td>100</td>
<td>UK</td>
<td>Holding company</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>08628611</td>
</tr>
<tr>
<td>SThree Euro UK Limited</td>
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<td>Support services</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>04632138</td>
</tr>
<tr>
<td>SThree IP Limited*</td>
<td>100</td>
<td>UK</td>
<td>Support services</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>03682624</td>
</tr>
<tr>
<td>SThree Management Services Limited*</td>
<td>100</td>
<td>UK</td>
<td>Management services</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>04255086</td>
</tr>
<tr>
<td>SThree Partnership LLP</td>
<td>100</td>
<td>UK</td>
<td>Recruitment</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>0C387148</td>
</tr>
<tr>
<td>Huxley Associates Global Limited</td>
<td>100</td>
<td>UK</td>
<td>Recruitment</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>05908145</td>
</tr>
<tr>
<td>Progressive Global Energy Limited</td>
<td>100</td>
<td>UK</td>
<td>Recruitment</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>04883344</td>
</tr>
<tr>
<td>Progressive Global Energy Kurdistan Limited</td>
<td>100</td>
<td>UK</td>
<td>Dormant</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>08286247</td>
</tr>
<tr>
<td>Progressive GE Limited</td>
<td>100</td>
<td>UK</td>
<td>Dormant</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>05561279</td>
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</table>

### 25 List of subsidiaries continued

<table>
<thead>
<tr>
<th>Name of undertaking</th>
<th>%</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Registered office</th>
<th>Registered number</th>
</tr>
</thead>
<tbody>
<tr>
<td>HireFirst Limited</td>
<td>100</td>
<td>UK</td>
<td>Recruitment technology</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>11050648</td>
</tr>
<tr>
<td>Talent Deck Limited</td>
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<td>UK</td>
<td>Recruitment technology</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>10841039</td>
</tr>
<tr>
<td>Showcaser Limited</td>
<td>100</td>
<td>UK</td>
<td>Recruitment technology</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>10873444</td>
</tr>
<tr>
<td>SThree Ventures Limited</td>
<td>100</td>
<td>UK</td>
<td>Holding company</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>11047674</td>
</tr>
<tr>
<td>SThree Dollar UK Limited</td>
<td>100</td>
<td>UK</td>
<td>Support services</td>
<td>1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom</td>
<td>11740244</td>
</tr>
<tr>
<td>Specialist Staffing Holdings Inc</td>
<td>100</td>
<td>USA</td>
<td>Holding company</td>
<td>Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States</td>
<td>56929896</td>
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<tr>
<td>Specialist Staffing Solutions Inc</td>
<td>100</td>
<td>USA</td>
<td>Recruitment</td>
<td>Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States</td>
<td>4367091</td>
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<tr>
<td>Specialist Staffing Services Inc</td>
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<td>USA</td>
<td>Recruitment</td>
<td>Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States</td>
<td>5134909</td>
</tr>
<tr>
<td>Newington International Inc</td>
<td>100</td>
<td>USA</td>
<td>Recruitment</td>
<td>Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States</td>
<td>5222208</td>
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<tr>
<td>Progressive Global Energy Inc</td>
<td>100</td>
<td>USA</td>
<td>Dormant</td>
<td>Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States</td>
<td>5387733</td>
</tr>
</tbody>
</table>

* Directly held subsidiaries. All other subsidiaries are indirectly held.

### Audit exemptions:
The following Group entities are exempt from audit by virtue of Section 479A of the Companies Act 2006:
- SThree Euro UK Limited
- SThree IP Limited
- SThree Dollar UK Limited
- SThree UK Operations Limited

### Statutory guarantees:
SThree plc has provided statutory guarantees to the following entities in accordance with Section 479A of the Companies Act 2006:
- SThree Euro UK Limited
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* %

**Notes to the Financial Statements Continued**

**Annual Report and Accounts 2020**

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**25 List of subsidiaries continued**

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<th>Name of undertaking</th>
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- SThree UK Operations Limited

* %

**Notes to the Financial Statements Continued**

**Annual Report and Accounts 2020**


26 Alternative performance measures (‘APMs’): definitions and reconciliations

Adjusted APMs

In discussing the performance of the Group, ‘comparable’ measures are used, which are calculated by deducting from the directly reconcilable IFRS measures the impact of the Group’s restructuring costs, which are considered as items impacting comparability, due to their nature.

Restructuring costs

Support function relocation

This category comprises (income)/costs arising from a strategic relocation of SThree’s central support functions away from the London headquarters to the Centre of Excellence located in Glasgow, further explained in note 3.

Senior leadership restructuring

This category of costs is attributable to several key changes made to the regional leadership structure within the EMEA excluding DACH region in the prior year, further explained in note 3.

The Group discloses comparable performance measures to enable users to focus on the underlying performance of the business on a basis which is common to both years for which these measures are presented. The reconciliation of comparable measures to the directly related measures calculated in accordance with IFRS is as follows:

Reconciliation of adjusted financial indicators for continuing operations

<table>
<thead>
<tr>
<th>2020</th>
<th>Revenue £’000</th>
<th>Administrative expenses, incl. impairment loss £’000</th>
<th>Operating profit £’000</th>
<th>Profit before tax £’000</th>
<th>Tax £’000</th>
<th>Profit after tax £’000</th>
<th>Basic EPS pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>As reported</td>
<td>1,202,622</td>
<td>308,575</td>
<td>(276,815)</td>
<td>31,760</td>
<td>(11,833)</td>
<td>18,762</td>
<td>14.2</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>–</td>
<td>–</td>
<td>(468)</td>
<td>(668)</td>
<td>89</td>
<td>(379)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Adjusted</td>
<td>1,202,622</td>
<td>308,575</td>
<td>(277,283)</td>
<td>31,292</td>
<td>(11,744)</td>
<td>18,383</td>
<td>13.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2019</th>
<th>Revenue £’000</th>
<th>Administrative expenses, incl. impairment loss £’000</th>
<th>Operating profit £’000</th>
<th>Profit before tax £’000</th>
<th>Tax £’000</th>
<th>Profit after tax £’000</th>
<th>Basic EPS pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>As reported</td>
<td>1,324,703</td>
<td>337,996</td>
<td>(280,241)</td>
<td>57,755</td>
<td>(15,480)</td>
<td>41,321</td>
<td>31.8</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>–</td>
<td>–</td>
<td>2,273</td>
<td>2,273</td>
<td>(428)</td>
<td>1,845</td>
<td>1.4</td>
</tr>
<tr>
<td>Adjusted</td>
<td>1,324,703</td>
<td>337,996</td>
<td>(277,968)</td>
<td>60,028</td>
<td>(15,908)</td>
<td>43,166</td>
<td>33.2</td>
</tr>
</tbody>
</table>

APMs in constant currency

As we are operating in 15 countries and with many different currencies, we are affected by foreign exchange movements, and we report our financial results to reflect this. However, we manage the business against targets which are set to be comparable between years and within them, for otherwise foreign currency movements would undermine our ability to drive the business forward and control it. Within this report, we highlighted comparable results which are set to be comparable between years and within them, for otherwise foreign currency movements would affect to the impact of variation of foreign currency exchange rates from year to year). Constant currency APMs are calculated by applying the prior year foreign exchange rates to the current and prior financial year results to remove the impact of exchange rate.

Measures on a constant currency basis enable users to focus on the performance of the business on a basis which is not affected by changes in foreign currency exchange rates applicable to the Group's operating activities from year to year.

26 Alternative performance measures (‘APMs’): definitions and reconciliations continued

The calculations of the APMs on a constant currency basis and the reconciliation to the most directly related measures calculated in accordance with IFRS are as follows:

<table>
<thead>
<tr>
<th>2020</th>
<th>Revenue £’000</th>
<th>Net fees £’000</th>
<th>Operating profit £’000</th>
<th>Adjusted profit conversion ratio*</th>
<th>Profit before tax £’000</th>
<th>Basic EPS pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted</td>
<td>1,202,622</td>
<td>308,575</td>
<td>31,292</td>
<td>10.1%</td>
<td>30,127</td>
<td>13.9</td>
</tr>
<tr>
<td>Currency impact</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>10.1%</td>
<td>13.9</td>
</tr>
<tr>
<td>Adjusted in constant currency</td>
<td>1,202,622</td>
<td>308,575</td>
<td>31,292</td>
<td>10.1%</td>
<td>30,127</td>
<td>13.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2019</th>
<th>Revenue £’000</th>
<th>Net fees £’000</th>
<th>Operating profit £’000</th>
<th>Adjusted profit conversion ratio*</th>
<th>Profit before tax £’000</th>
<th>Basic EPS pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted</td>
<td>1,324,703</td>
<td>337,996</td>
<td>60,028</td>
<td>17.8%</td>
<td>59,074</td>
<td>33.2</td>
</tr>
<tr>
<td>Currency impact</td>
<td>(12,817)</td>
<td>(4,419)</td>
<td>(1,239)</td>
<td>(0.7)</td>
<td>(1,239)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Adjusted in constant currency</td>
<td>1,311,886</td>
<td>333,577</td>
<td>58,789</td>
<td>17.6%</td>
<td>57,835</td>
<td>32.5</td>
</tr>
</tbody>
</table>

* Operating profit conversion ratio represents operating profit over net fees.

Other APMs

Net cash excluding lease liabilities

Net cash is an APM used by the Directors to evaluate the Group’s capital structure and leverage. Net cash is defined as cash and cash equivalents less current and non-current borrowings excluding lease liabilities, less bank overdraft as illustrated below:

<table>
<thead>
<tr>
<th>2020</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>50,363</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>(468)</td>
</tr>
<tr>
<td>Net cash</td>
<td>49,895</td>
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</tbody>
</table>

Adjusted EBITDA

Adjusted EBITDA is calculated by adding back to the reported operating profit operating non-cash items such as the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee share option and exceptional costs. See the table on page 207 illustrating how free cash conversion ratio is calculated. EBITDA is the sum of operating profit and operating non-cash items. Adjusted EBITDA is intended to provide useful information to analyse the Group’s operating performance excluding the impact of operating non-cash items as defined above. The Group also uses adjusted EBITDA to measure the level of financial leverage of the Group by comparing adjusted EBITDA to net debt.
26 Alternative performance measures (‘APMs’): definitions and reconciliations continued

Dividend cover
The Group uses dividend cover as an APM to ensure that its dividend policy is sustainable and in line with the overall strategy for the use of cash. Dividend cover is defined as the number of times the Company is capable of paying dividends to shareholders from the profits earned during a financial year, and it is calculated as the Group’s profit for the year attributable to owners of the Company over the total dividend paid to ordinary shareholders.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year attributable to owners of the Company (£’000) A</td>
<td>16,953</td>
<td>41,319</td>
</tr>
<tr>
<td>Dividend proposed to be paid to shareholders (£’000) (note 9) B</td>
<td>6,645</td>
<td>20,168</td>
</tr>
<tr>
<td>Dividend cover (A ÷ B)</td>
<td>2.6</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Net fees margin for continuing operations
The Group uses net fees margin as an APM to evaluate business quality and the service offered to customers. Net fees margin is defined as total net fees as a percentage of total revenue.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net fees (£’000) A</td>
<td>308,575</td>
<td>337,996</td>
</tr>
<tr>
<td>Total revenue (£’000) B</td>
<td>1,202,622</td>
<td>1,324,703</td>
</tr>
<tr>
<td>Net fees margin (A ÷ B)</td>
<td>25.7%</td>
<td>25.5%</td>
</tr>
</tbody>
</table>

Consultant yield for continuing operations
The Group uses consultant yield as an APM to assess the productivity of the sales teams. Consultant yield is defined as Group net fees divided by Group average sales headcount over a factor of 12.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net fees (£’000) A</td>
<td>308,575</td>
<td>337,996</td>
</tr>
<tr>
<td>Average sales headcount B</td>
<td>2,193</td>
<td>2,384</td>
</tr>
<tr>
<td>Consultant yield (£’000) (A ÷ B * 12)</td>
<td>11.7</td>
<td>11.8</td>
</tr>
</tbody>
</table>

Total shareholder return (‘TSR’)
The Group uses TSR as an APM to measure the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date. The TSR is calculated by the external independent data-stream party.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>STthree plc TSR return index value: three-month average to 30 Nov 2017 (2019: 30 Nov 2016) (pence)</td>
<td>285.77</td>
<td>197.00</td>
</tr>
<tr>
<td>STthree plc TSR return index value: three-month average to 30 Nov 2020 (2019: 30 Nov 2019) (pence)</td>
<td>240.74</td>
<td>262.41</td>
</tr>
<tr>
<td>Total shareholder return (15.8%)</td>
<td>33.2%</td>
<td></td>
</tr>
</tbody>
</table>

Free cash conversion ratio
This year the Directors have replaced the previously reported cash conversion ratio with the free cash conversion ratio to better align to the Group’s evolving strategy and remuneration policy.

The Group uses the free cash conversion ratio as an APM to measure a business’s ability to convert profit into cash. It represents cash generated from operations for the year after deducting tax, net interest cost and rent payments, stated as a percentage of operating profit. The free cash flow can then be used to fund Group operations such as capex, share buy-backs, dividends, etc.

The following table illustrates how adjusted free cash conversion ratio is calculated.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating non-cash items* B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in working capital C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from operations (A + B + C)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax and interest paid D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best payments E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free cash conversion ratio (A+B+C+D) ÷ A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As reported</td>
<td>29,965</td>
<td>21,616</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(468)</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted</td>
<td>29,497</td>
<td>21,616</td>
</tr>
</tbody>
</table>

* Operating non-cash items represent primarily depreciation, amortisation and impairment of intangible assets, and employee share option and performance share costs as presented in the line ‘Non-cash charge for share-based payments’ of the Consolidated Cash Flow Statement.
<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue (£’m)</strong></td>
<td>1,202.6</td>
<td>1,324.7</td>
<td>1,235.8</td>
<td>1,089.2</td>
<td>939.1</td>
</tr>
<tr>
<td><strong>Net fees (£’m)</strong></td>
<td>308.6</td>
<td>338.0</td>
<td>316.5</td>
<td>281.9</td>
<td>253.3</td>
</tr>
<tr>
<td><strong>Adjusted operating profit (£’m)</strong></td>
<td>31.3</td>
<td>60.0</td>
<td>53.8</td>
<td>43.7</td>
<td>36.5</td>
</tr>
<tr>
<td><strong>Adjusted operating profit conversion ratio</strong></td>
<td>10.1%</td>
<td>17.8%</td>
<td>17.0%</td>
<td>15.5%</td>
<td>14.4%</td>
</tr>
<tr>
<td><strong>Adjusted basic EPS (pence)</strong></td>
<td>13.9</td>
<td>33.2</td>
<td>30.7</td>
<td>24.7</td>
<td>20.3</td>
</tr>
</tbody>
</table>

**Other Group ratios**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets (£’m)</strong></td>
<td>334.5</td>
<td>305.1</td>
<td>360.5</td>
<td>273.5</td>
<td>231.5</td>
</tr>
<tr>
<td><strong>Total equity (£’m)</strong></td>
<td>128.5</td>
<td>116.5</td>
<td>101.7</td>
<td>80.7</td>
<td>75.7</td>
</tr>
<tr>
<td><strong>Net cash/(debt) (£’m)</strong></td>
<td>49.9</td>
<td>10.6</td>
<td>(4.1)</td>
<td>5.6</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Adjusted cash from operations (£’m)</strong></td>
<td>76.9</td>
<td>54.8</td>
<td>40.6</td>
<td>41.1</td>
<td>42.2</td>
</tr>
<tr>
<td><strong>Adjusted free cash conversion ratio</strong></td>
<td>177.8%</td>
<td>68.3%</td>
<td>47.7%</td>
<td>66.5%</td>
<td>88.0%</td>
</tr>
<tr>
<td><strong>Dividends per share (pence)</strong></td>
<td>5.0</td>
<td>15.3</td>
<td>14.5</td>
<td>14.0</td>
<td>14.0</td>
</tr>
</tbody>
</table>

**Group operational statistics**

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average total headcount1</strong></td>
<td>2,894</td>
<td>3,109</td>
<td>2,926</td>
<td>2,668</td>
<td>2,675</td>
</tr>
<tr>
<td><strong>Average sales headcount1</strong></td>
<td>2,219</td>
<td>2,423</td>
<td>2,254</td>
<td>2,090</td>
<td>2,113</td>
</tr>
<tr>
<td><strong>Active contractors at year end</strong></td>
<td>9,523</td>
<td>11,110</td>
<td>11,203</td>
<td>10,197</td>
<td>9,078</td>
</tr>
</tbody>
</table>

*Based on full-time equivalents.

**ANNOUNCEMENT TIMETABLE**

SThree plc confirms the following forthcoming dates in the Group’s financial calendar:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 January 2021</td>
<td>Annual results for the year ended 30 November 2020</td>
</tr>
<tr>
<td>15 March 2021</td>
<td>Q1 Trading Statement</td>
</tr>
<tr>
<td>22 April 2021</td>
<td>Annual General Meeting*</td>
</tr>
<tr>
<td>14 June 2021</td>
<td>Trading update for the six months ended 31 May 2021</td>
</tr>
<tr>
<td>19 July 2021</td>
<td>Interim results for the six months ended 31 May 2021</td>
</tr>
<tr>
<td>13 September 2021</td>
<td>Q3 Trading Statement</td>
</tr>
<tr>
<td>13 December 2021</td>
<td>Trading update for the year ended 30 November 2021</td>
</tr>
<tr>
<td>31 January 2022</td>
<td>Annual results for the year ended 30 November 2021</td>
</tr>
</tbody>
</table>

* The Group does not normally provide a trading update at the time of its AGM.
Shareholders with enquiries relating to their shareholding should contact Link Asset Services (previously named Capita Asset Services).

Alternatively, you may access your account via www.sthreeshares.com, but will need to have your investor code available when you first log in, which can be found on your dividend voucher, share certificate or form of proxy. The online facility also allows shareholders to view their holding details, how to register a change of name or what to do if a share certificate is lost, as well as download forms in respect of changes of address, dividend mandates and share transfers.

Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by email each time the Company distributes documents, instead of receiving a paper version of such documents, by registering a request via the registrar by calling 0871 664 0300 (from UK) – calls cost 12p per minute plus your phone company’s access charge; lines are open between 9.00am and 5.30pm, Monday to Friday) or +44 371 664 0300 (non-UK) or register online at: www.sthreeshares.com. There is no fee for using this service and you will automatically receive confirmation that a request has been registered. Should you wish to change your mind or request a paper version of any document in the future, you may do so by contacting the registrar.

Potential targeting of shareholders

Companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based brokers who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (“FSA”) reported that the average amount lost by investors was around £20,000. It is not just the novice investor that has been duped in this way: many of the victims had been successfully investing for several years.

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

• Make sure you get the correct name of the person and organisation.
• Check the Financial Conduct Authority (’FCA’) Register at www.fca.org.uk/register to ensure they are authorised.
• Use the details on the FCA Register to contact the firm.
• Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
• The FCA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors.
• If you deal with an unauthorised firm, you will not have access to the Financial Ombudsman Services or Financial Services Compensation Scheme.
• Any approach from such organisations should be reported to the FCA using the share fraud reporting form at www.fca.org.uk/scams. You can also call the Consumer Helpline on 0800 111 6768. Details of share dealing facilities that the Company endorses will only be included in publications issued by the Company.

More detailed information on this or similar activity can be found on the FCA website at www.fca.org.uk/consumer.

Share price information

Information on the Company’s share price can be found via: www.sthree.com.

Share dealing service

For further information on this service, or to buy and sell shares visit, www.linksharedeal.com or call 0371 6640445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Email: shares@linkgroup.co.uk

ShareGift

ShareGift (reg. charity no. 1052686) operates a charity share donation scheme for shareholders with small parcels of shares whose value may make it uneconomic to sell. Details of the scheme are available from:

Website: www.sharegift.org

Tel: 0207 930 3737

Dividend reinvestment plan (non-sponsored)

For any shareholders who wish to reinvest dividend payments in additional shares of the Company, a facility is provided by Link Market Services Trustees Limited in conjunction with Link Asset Services. Under this facility, accrued dividends are used to purchase additional shares.

Any shareholder requiring further information should contact Link on 0371 664 0381 – calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate.

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COMPANY INFORMATION AND CORPORATE ADVISORS

Executive Directors
Mark Dorman
Chief Executive Officer
Alex Smith
Chief Financial Officer

Whistleblowing hotline
Tel: (UK) 0800 915 1571
Website: www.safe-call.co.uk/report

Financial advisors and stockbrokers
Liberum
25 Ropemaker Street
London
EC2Y 9LY
Panmure Gordon
1 New Change
London
EC4M 9AF

Financial PR
Alma PR
71-73 Carter Lane
London
EC4V 5EQ

Auditors
PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Registrars (ordinary shares)
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
BR3 4TU
Tel: (UK) 0871 664 0300
Tel: (non-UK) +44 371 6640 300
Email: enquiries@linkgroup.co.uk
Web: www.stthreeshares.com

* Calls cost 12p per minute plus your phone company’s access charge and calls outside the UK will be charged at applicable international rates. Lines are open 9.00am to 5.30pm Monday to Friday, excluding public holidays in England and Wales.

Group Company Secretary and registered office
Steve Hornbuckle
Group Company Secretary
1st Floor, 75 King William Street
London
EC4N 7BE
Email: cosec@sthree.com

Company number
03805979

Contact details
Tel: 0207 268 6000
Fax: 0207 268 6001
Email: enquiries@sthree.com
Web: www.stthree.com

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