Our purpose:
‘Bringing skilled people together to build the future’

Our scale, reach, and STEM sector experience (Science, Technology, Engineering, Mathematics) make us the only global pure-play specialist STEM staffing business.

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

Our purpose is the foundation of everything we do as a business and is why we exist.

Our approach to ESG
We are building an inclusive workforce for the future by sourcing and nurturing the diverse talent needed to solve the complex challenges facing our world, challenges such as the global pandemic we faced this year and the ongoing climate crisis.

See Responsible business on pages 60-63

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.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>£1.2bn</th>
<th>2019</th>
<th>£1.3bn</th>
<th>2018</th>
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<tbody>
<tr>
<td>Revenue (2019: £1.3bn)</td>
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<tr>
<td></td>
<td>2020</td>
<td>£31m</td>
<td>2019</td>
<td>£60m</td>
<td>2018</td>
<td>£54m</td>
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<tr>
<td>Adjusted operating profit1</td>
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<tr>
<td></td>
<td>2020</td>
<td>£50m</td>
<td>2019</td>
<td>£11m</td>
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<td>£(4)m</td>
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<td>Net cash (2019: £11m)</td>
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<td></td>
<td>2020</td>
<td>14.2p</td>
<td>2019</td>
<td>31.8p</td>
<td>2018</td>
<td>26.6p</td>
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<td>Adjusted basic earnings per share1</td>
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<td>2020</td>
<td>13.9p</td>
<td>2019</td>
<td>33.2p</td>
<td>2018</td>
<td>30.7p</td>
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<tr>
<td>Basic earnings per share</td>
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<td></td>
<td>2020</td>
<td>14.2p</td>
<td>2019</td>
<td>31.8p</td>
<td>2018</td>
<td>30.7p</td>
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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 4 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.

About our work

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
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
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 come 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.
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 markets**

To be a leader in markets we choose to serve

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

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.

**Our platform**

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

Delivering on 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.

2020-2024 Group ambition

To grow productivity per head over the period

1-2% pa

To grow Group market share of STEM by

50% (2020: 10.1%)

21-24% Operating profit conversion ratio (2020: 16.3%)

**Related content**

- Strategy in action - pillar 1 on pages 42 to 45
- Responsible business on pages 60 to 63
- Key performance indicators on page 60
- Strategy in action - pillar 2 on pages 46 to 49
- Strategy in action - pillar 4 on pages 54 to 59
- Strategy in action - pillar 3 on pages 50 to 53
- Key performance indicators on page 40
- Key performance indicators on page 61
**Our Business at a Glance**

**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

<table>
<thead>
<tr>
<th>Region</th>
<th>Focus</th>
<th>Net fees change in constant currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>Life Sciences and Engineering</td>
<td>+2%</td>
</tr>
<tr>
<td>DACH</td>
<td>Technology and Life Sciences</td>
<td>-3%</td>
</tr>
<tr>
<td>EMEA excluding DACH</td>
<td>Technology and Engineering</td>
<td>-16%</td>
</tr>
<tr>
<td>APAC</td>
<td>Technology and Banking &amp; Finance</td>
<td>-26%</td>
</tr>
</tbody>
</table>

We’re focused on developing and delivering STEM talent in the most important STEM markets which offer the best possible opportunity for SThree to grow and take market share.

Our business serves customers throughout the USA, across Europe, the Middle East and over to Japan.

This diverse mix of exposures across multiple geographical regions makes us ideally placed to provide our clients with insights to the changing work patterns specific to their region and to provide access to the best candidates with specialist STEM skillsets.

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.

<table>
<thead>
<tr>
<th>Our people</th>
<th></th>
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<tbody>
<tr>
<td>Strategic geographical regions</td>
<td>4</td>
</tr>
<tr>
<td>Countries</td>
<td>15</td>
</tr>
<tr>
<td>Continents</td>
<td>3</td>
</tr>
<tr>
<td>People</td>
<td>2,608</td>
</tr>
</tbody>
</table>
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

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.

Focus on STEM and flexible working delivers effectively in particularly challenging times.”

Mark Dorman
Chief Executive Officer

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 health 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 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 New 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 Thrive 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 wholeheartedly 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 that 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 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 worked with 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 nation-wide 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

1. DACH represents Austria, Germany and Switzerland.
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 with our clients to deliver virtual events specifically for young people from underrepresented communities, helping them understand pathways into STEM careers.

As well as cultivating future STEM talent, we began working support 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 work we do. 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.

Responsible business

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 aim remains 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

See responsible business on pages 60 to 63.
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 are the only global pure-play STEM specialist: a unique investment proposition.

SThree’s growth opportunity is substantial

We are ideally placed to benefit from scale and global reach. There is significant room for market share growth and one of our key targets is to grow market share by 50% by 2024.

Successful operations in the five best STEM markets for the Group: USA, Germany, the Netherlands, UK and Japan.

Net fees by sector

- Technology: 45%
- Life Sciences: 22%
- Engineering: 8%
- Banking & Finance: 6%
- Other: 5%

Net fees by type of contract

- Freelance contractor: 48%
- Employed contractor: 26%
- Permanent: 22%

Clear focus on the best STEM regions

Growing sustainable free cash flow and value for shareholders over the long term.

We challenge conventions and promote innovative solutions, with an emphasis on driving value for our core proposition and supporting long-term growth.

Strong cash generation

Our goal is to positively impact 150,000 lives by 2024 through providing inclusive recruitment solutions to build a sustainable future for all, in line with the UN Sustainable Development Goals.

SThree is at the centre of two long-term secular trends with a unique global footprint to maximise this opportunity.

Ambitious management team focused on quality execution

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

We have developed the way we work and deliver our services in line with global trends and evolving local markets.

Building a world class operational platform

Embracing new technologies and the implementation of strategic initiatives will drive efficiencies and supports further margin expansion. Our aim is to reach an operating profit conversion ratio in the range of 21% to 24% by 2024.

A strong infrastructure allows us to focus on consultant productivity and customer journey. Between now and 2024 we aim to grow productivity per head by 1% to 2% per annum.

This demands the most efficient and cost-effective solutions deployed across the business.

We challenge conventions and promote innovative solutions, with an emphasis on driving value for our core proposition and supporting long-term growth.

Operating profit to free cash flow conversion:

- 2017: 113%
- 2018: 113%
- 2019: 111%
- 2020: 113%

ESG – building a sustainable future

Our purpose of ‘bringing skilled people together to build the future’ is underpinned by our commitment to building a sustainable future for all, in line with the UN Sustainable Development Goals.

We source, nurture and place STEM talent who are solving complex world challenges. This includes solutions to climate change and it is our aim to grow our renewables business to ensure the right talent is available to overcome the climate emergency facing our world.

Through our work we are actively building an inclusive workforce for the future. It is our aim to positively impact 150,000 lives by 2024 through providing inclusive recruitment solutions and community programmes.

In 2020 we developed both career support and STEM career pathway programmes that help overcome inequality in our key markets.
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.

**Our two long-term secular trends**

**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 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 demand for accounting, finance and business analyst roles, partially offset by resilient IT and data science roles.

**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 provide career pathways to expand our future candidate pools.

We have been meeting a steadily 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 meeting 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 re-organising 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 carers.

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.

“Change will come in the form of flexibility around resources, if managers become open to more ‘telecommuting’, we could have resources working remotely allowing us access to more candidates,”

*Life Sciences client, USA*

**Delivered through**

Net fees generated by Contract division now constitute 76% of Group net fees (2019: 74%).

**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 customers with cultural integration and 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*
Emergednt 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 response 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 proposition.

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 response.

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 to organisation culture.

The shift away from in-store sales has been a challenge. We are having to make a lot more emergency fixes to our mobile application, and more budget is going towards building resilience in our core technologies.”

- US retail giant

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

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).
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.
  
  Read more on page 54

- 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.
  
  Read more on page 46

- Global presence
  We have market-leading positions in core STEM regions with the highest growth opportunity: the USA, Germany, the Netherlands, UK and Japan.
  
  Read more on page 50

- 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.
  
  Read more on page 42

- 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.
  
  Read more on page 48

Our operating principles
- Build trust
- Care then act
- Be clear then aim high

Why we exist
Our purpose is ‘bringing skilled people together to build the future’.

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  Read more on page 48

Our operating principles
- Build trust
- Care then act
- Be clear then aim high

What we do
We source and place STEM talent across four major sectors: Life Sciences, Technology, Engineering, and Banking & Finance.

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 improving customer experience, and build a diverse portfolio of services.
- We apply laser focus on the execution of all capital choices. Funds are invested in selective programmes expected 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.

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

Read more on pages 60 to 63

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 35% by 2034.

-56% reduction in CO2 emissions

Read more about our ESG commitments and how we support the United Nations Sustainable Development Goals on pages 60 to 63

SThree plc
Annual Report and Accounts 2020

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Annual Report and Accounts 2020
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;
- the Board’s processes 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 those objectives to be met.
- Through 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>
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<tr>
<th>Section 172 factor</th>
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<td>Business model foundations that support the generation and preservation of the Company’s values</td>
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<td>Interest of employees</td>
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<td>Impact of our operations on the community and the environment</td>
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Directors’ report on pages 133 to 136
Remuneration response to COVID-19
STAKEHOLDER ENGAGEMENT

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.

How we engage

We maintain a constructive and ongoing dialogue with our people through regular employee-led forums, business resource groups, CEO Town Halls and Q&A sessions, as well as 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 eNPS 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’) responsibility 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 released the email and video statement that discrimination has no place at SThree, as well as racism, we accelerated the implementation and actions across the world came together to stand united against the CMT has monitored outbreak developments closely by tracking key business lead indicators and following the guidance issued by the local national governments.

The CMT has conducted 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.

As part of the ongoing crisis management, we introduced 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.

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 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 anti-racism stating that discrimination has no place at SThree, as well as global D&I focus groups to centre the strategy on the voice of our people and define the actions for our plans for 2021 and beyond.

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 time, support and resources to help our people look after their body and mind, self-purpose, personal growth and financial stability.

Furthermore, our annual eNPS 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’) responsibility 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 groups’ conversation themes and outcomes feed into global strategies and directly contribute to future action plans.

Strategic pillar

Our position
Our platform
Our markets
Our people

To read more go to pages 26 to 29 Strategic overview and pages 24 to 27 Market overview

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 outbreak 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 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.

See our website for more case studies

www.three.com
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.

**Our response to key matters raised in 2020**

- This year deepened our understanding of challenges faced by candidates in current STEM job markets: client enquiring 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, issued videos, and organised virtual events and webinars.

Our #STEMSeries virtual events with panellists from across the markets attracted large audiences amongst our clients and candidates. We delivered 75 #STEMSeries events with nearly 2,754 participants. During these, we shared industry expert advice and tips on multiple topics relevant to the present market environment, e.g. the future of the workplace, the role of technology in the new normal, how to improve socio-economic mobility within STEM careers, how to widen the talent pool to close STEM skill gaps, and best practices for cultivating D&I in the workplace.

**How we engage**

- Our recruiting consultants play a critical role in engaging with our customers. This year, they adapted to new ways of communicating with our customers by raising our profile and presence in a more virtual world.

By engaging through multiple new online channels, our consultants ensured regular interaction with customers to understand issues, challenges, opportunities, changing demands and needs.

We reached out to over 300 client globally to understand how they were navigating the health crisis, gathering insights to inform our approach moving forward. Our consultants also launched pulse surveys, delivered Thought Leadership articles, issued videos, and organised virtual events and webinars.

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

This in turn allows our investors to develop a full picture of the Company and helps them make informed investment decisions.

**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 10.2pence 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 demonstrate to our shareholders not only our ability to adopt 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 strategic initiatives;

- we increased our paid volunteering leave to 40 hours and days per year to support colleagues’ community engagement;
- we cut costs and made management changes;
- we increased customer service capacity and resources;
- we enhanced digital capabilities and investments to support our clients;
- we increased charitable donations to support local communities;
- we offered training and development webinars;
- we provided additional support packages and lenses to support colleagues;
- we increased our volunteering activities;
- we ramped up social media and marketing communications;
- we continued to engage with investors and analysts;
- we continued to engage with regulatory bodies; and
- we accelerated the launch of the SThree academy in 2021.

**Our response to key matters raised in 2020**

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

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.

**Our local communities**

**Why 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.

**Our response to key matters raised in 2020**

We witnessed an unprecedented need to support communities as we continued to navigate the global health crisis. Our response was to strengthen and increase our support to local communities.

- We increased our paid volunteering leave to 40 hours and days per year to support colleagues’ community engagement;
- Unemployment became a growing concern for every community in which we operate. Data shared by the United Nations highlighted low wage, informal workers are at heightened risk. We developed a programme to use our skills to provide employability support via webinars, virtual skills development sessions, mentoring, CV reviews and much more. Over 670 people accessed our interventions.
- We launched the STEM Career Pathways programme in the USA, mobilising our candidates as mentors, our clients to provide work opportunities, and non-profit education to deliver accredited tech training.

**Our position**

Our markets

**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 MVP 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 KSTem-Series 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.
• 2. 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 processes, systems, and resource 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 about rapidly changing customer behaviours).
• Optimised cash management and credit risk control across the entire global debtors portfolio.

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 loss down 9% YoY, demonstrating resilience and the continued recovery from the impact of the health crisis. Stronger 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.
• Invested in scalable and best-in-class tech solutions to enhance our talent recruitment and service models.
• The plan for learning – continued to maximise our position to develop a deeper understanding of the market dynamics by understanding and flexing to current trends and clients’ changing 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
• 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 prioritise investments.
• Look to ensure that our businesses in the USA and Japan accelerate their performance in line with their market opportunities.
• Unlock 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/turnover
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 world.
• 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 TAPW – 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.
• Raising awareness in D&I pivoted 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 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
Leveraging 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
£1.2bn
-9% (-9%) (2019: £1.3bn)

2020
2019
2018
2017
2016
2015
2014
2013
2012
2011
2010
2009
Revenue
£1.2bn
£1.3bn
£1.3bn
£1.3bn
£1.3bn
£1.3bn
£1.3bn
£1.3bn
£1.3bn
£1.3bn
£1.3bn
£1.3bn

Overall, our revenue performance was impacted by a decline in aggregate demand due to the COVID-19 health crisis. In the second half of the year, we saw resilience in the sourcing of permanent roles within the German businesses, with strengthening sales activity linked to Life Sciences and Technology, and greater resilience more broadly in our Contract division. Thanks to the emergent market trends, such as the mobilisation of IT infrastructure and increased digitalisation, we were fully aware of market positions for which we were busy filling rapidly rising demand for specialist skills.

Net fees
Revenue less cost of sales from continuing operations.

2020 performance
£309m
-9% (-9%) (2019: £338m)

2020
2019
2018
2017
2016
2015
2014
2013
2012
2011
2010
2009
Net fees
£309m
£338m
£338m
£338m
£338m
£338m
£338m
£338m
£338m
£338m
£338m
£338m

Group net fees were down 9% year-on-year, again impacted by a decline in aggregate demand due to COVID-19. Our strategic focus on flexible working and STEM continued to serve us well, with aggregate year-on-year growth of 4% in the Contract business division.

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

2020 performance
£30.1m**
-49% (-49%) (2019: £59.1m**)

2020
2019
2018
2017
2016
2015
2014
2013
2012
2011
2010
2009
Adjusted profit before tax
£30.1m**
£59.1m**
£59.1m**
£59.1m**
£59.1m**
£59.1m**
£59.1m**
£59.1m**
£59.1m**
£59.1m**
£59.1m**
£59.1m**

Adjusted profit before tax (‘EBT’) from continuing operations declined by 49%, mainly driven by the slowdown in the Group’s operations caused by the global health crisis. This decline, partially offset by savings in operating expenses, including a pause in marketing spend, decline in commission payments, incurred in the context of the health crisis, and the impact of government furlough and retention support schemes.

** Excludes the impact of £0.3 million in net exceptional income (2019: £0.3 million in net exceptional cost).

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.

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
10.1%**
-7.3pts (2019: 17.4% **)

2020
2019
2018
2017
2016
2015
2014
2013
2012
2011
2010
2009
Adjusted operating profit
10.1%
17.4%
17.0%
15.5%
14.1%
13.2%
12.9%
12.9%
13.0%
13.0%
13.0%
13.0%

The operating profit conversion ratio declined to 10.1% year-on-year due to the overall slowdown in the Group trading activity in the light of the health crisis. It was partially offset by cost management initiatives implemented during the year in response to the crisis.

Adjusted free cash conversion ratio
Cash generated from operations for the year after deducting tax paid, net interest cost and rent payments, stated as a percentage of adjusted operating profit.

2020 performance
178%
+110pts (2019: 68%)

2020
2019
2018
2017
2016
2015
2014
2013
2012
2011
2010
2009
Adjusted free cash
178%
68%
68%
67%
67%
67%
67%
67%
67%
67%
67%
67%

Free cash conversion has increased significantly. It is the net result of reduced adjusted EBITDA and increased investments in technology and strategic initiatives, offset by the relative of working capital, as the business slowed down, strong action to manage cash in the face of the COVID-19 health crisis and lower tax paid.

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

Customer net promoter score (‘NPS’)
Customer net promoter score captures feedback from customers about their experience of working with SThree. This helps us measure performance and improve the customer experience and draw meaningful insights into the changing work landscape.

2020 performance
Average NPS
52

(2019: 44)

Overall, across the business we recorded an impressive improvement in NPS, which currently stands at 52, eight points up from 44 at the end of last year. This is testament to the strength of our ongoing support we have given to our clients and candidates and the flexible approach we have taken to meet their new and changed demands.

Total shareholder return (‘TSR’)
The growth in value of a shareholder over a three-year period, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date.

2020 performance
-15.8% -49pts (2019: 33.2%)

2020
2019
2018
2017
2016
2015
2014
2013
2012
2011
2010
2009
Total shareholder return (‘TSR’)
-15.8%
-49pts
33.2%
22.7%
19.1%
19.1%
19.1%
19.1%
19.1%
19.1%
19.1%
19.1%

In 2020, we saw an increase of two percentage points in the Group’s headline TSR rate. This was primarily driven by the BLA, France, and Belgium businesses which all saw improved TSRs due to the significantly changed economic environment and increased risk and uncertainty caused by COVID-19.

Female representation in key sales roles
Female representation in a particular sales cohort (e.g. Level 3 or Level 6) is calculated as the number of female colleagues at each job level at the end of the year as a percentage of the total headline at that job level at that particular point.

2020 performance
Level 3 34% Level 4 14%
+3% pts +3% pts

(2019: Level 3: 31%, Level 4: 11%)

Level 3 cohort represents Sales Business Managers
Level 4 cohort represents Sales Directors
In line with SThree’s leadership principles, we strive to have a diverse leadership team, by increasing the number of women at every level. Throughout 2020 we maintained a focused approach to the development of our female colleagues. We continued to make strategic investments across the business to develop and nurture an inclusive work environment. Throughout 2020 we delivered new initiatives and strengthened our management teams with the skills and techniques to effectively lead and manage their teams, and with support and insights on how to reach their next career level.

Employee net promoter score (‘eNPS’)
Annual survey that captures feedback from colleagues about their experience of working at SThree.

2020 performance
Average global eNPS
5

-33 pts (2019: 38)

eNPS global sales: 11 -34 pts (2019: -45)
eNPS global support: 14 -17 pts (2019: -3)

Our average global eNPS decreased across sales and support functions as a result of the impact that the global health crisis had on our people and business.

We believe that the score is lower this year. Indeed, it is not surprising that companies have noted more broadly. Our people recognised the efforts and clear strategic focus of our business in these challenging times. We obtained positive scores for provision of flexibility and remote working arrangements, career development and our commitment to purpose and culture. Key themes that we need to develop and invest in include pay and reward schemes, management development, systems, and technology.

Our leadership team have commissioned the refresh of the SThree people engagement strategy in 2021 to continue to reinvent our culture through key themes and support and insights on how to reach their next career level.

1. Excludes the impact of £0.3 million in net exceptional income (2019: £0.3 million in net exceptional cost).

2. In constant currency.
SThree plc
Annual Report and Accounts 2020

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

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.

3% 2024 ambition for STEM staffing market share

Strategic positioning
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 for 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.
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.

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.
The health crisis has forced us all to work differently and has seen thousands of hours saved on commuting, leading to more flexible working experiences. As a result, we have already invested in Group-wide communication technology to stay connected in a way that has proven to be highly effective.

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

Our platform

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

2020 showed us 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 an 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, allowing 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 and 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 across our portfolio financial processes. We set up new ‘ways of working’, the Group’s operational 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 wider Group strategy. Communities of experienced portfolio practitioners and Scrum Masters create a work environment where projects are delivered through an agile sprint-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 our 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. To support and improve decision-making of our commercial teams we modernised systems and reporting tools ensuring more regular and accurate financial forecasting, risk and credit control, improved data quality, and business control mechanisms. We are refining the incentive and reward schemes to ensure that the right quality-driven behaviours are adopted by our commercial teams. We also made significant progress in streamlining our product and service portfolio by having a very clear and transparent go-to-market strategy that enables us to create scale in the current market environment. We will underpin it with an appropriate pricing strategy and streamlined end-to-end process workflows across all regions.

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 specialties, 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 reflected 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 STthree 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.
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

Building market share in core STEM markets

As we have outlined, we want to be a STEM staffing leader in the major STEM markets where SThree has the best possible opportunity to grow and take market share. We’re laser-focused on the opportunity within 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.

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’ (FJP) 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 projects, we are better placed in anticipating and managing clients’ demands and needs to fill in future roles. The FJP platform strengthens our Managed Service and Customer Relationship Management functions and accelerates our route to market ahead of the competition. It already allowed us to bounce back quicker when the new normal started to return by turning vacancies into placements.

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.

Our focus during the health crisis has not stopped at our clients and people (for more on whom, see the next section strategic pillar 4) – we have provided support and materials to help our contractors understand how to remain active with regional, brand-led contractor information hubs set up online to include rolling updates and support.

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.

c.6,000

respondents completed pulse surveys

1. ‘Customer’ NPS score consists of both client and candidate feedback.
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

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 and 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.
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 impact of 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 geographies 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 regional requirements. It was created as an interactive platform with representatives from across the business working together to shape and design support and resources for our people in four areas of wellbeing: body and mind, engagement and retention, and financial stability. In October we started our journey in creating a global mental health strategy to support our people at work and at home.

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 redefined what a normal work environment means. To obey social distancing rules, limiting most human contact to digital communications and relationships, at 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 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 supply chain in the world of STEM. As an organisation, we hold a personal responsibility to STEM to ensure we are actively contributing 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.
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 minds do 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 D&I 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. Advocate – recognize, 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 recognize 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 enroll 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 whatever 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.
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

We have clearly defined three areas where we can have the biggest impact:
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

Business responsible continued

ESG in action

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

SDGs

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 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 670 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! SThree’s advice made me feel more comfortable with myself.”

Your Future Map participant

SDGs
**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.

**Principal risks**

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>Impact</th>
<th>Probability of occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro-economic environment cyclicality</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Competitive environment and business model</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Commercial relationship and customer risk</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Contact risk</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Foreign exchange translation</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>People, talent acquisition, and retention</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Information technology and cyber risks</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Data processing</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Compliance</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Strategic change management</td>
<td>10</td>
<td>1</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.

**Governance**
- Policies and procedures.
- Appetite and tolerance.
- Oversight, assurance and reporting.

**Risk resources and infrastructure**
- Systems and data.
- Risks and responsibilities.
- Culture.
- Project management.

**Audit Committee**
**Risk & Compliance Committee**
**Escalation and reporting**
- Function risk discussion
- Internal audit and risk, governance and compliance
- Regional risk committees

**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.
- **Regional risk committees** - Directors, functions, business units.
- **Local risk registers.**
- **Quarterly reviews.**

**Risk process**
- Identify risks
- Analyse and assess
- Respond and control
- Monitor and review

**Risk and compliance**
**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 management</th>
<th>2020</th>
<th>2019</th>
<th>Definition and method of calculation</th>
<th>Strategic/Remuneration/Risk context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk appetite</td>
<td>Aim to achieve a sensible risk/reward balance, assessed via risk map, including emerging and sustainability risks and in light of COVID-19.</td>
<td>Aim to achieve a sensible risk/reward balance, assessed via risk map, including emerging and sustainability risks.</td>
<td>The Group has a well-defined ERM framework embedded throughout the business using an EBITDA measurement scale to assess impact. Risk appetite levels are reviewed by the Board and risks/mitigation are periodically reviewed to ensure continued strategic alignment.</td>
<td>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.</td>
</tr>
<tr>
<td>Risk identification, oversight, appetite, policy setting, reporting. Internal controls.</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>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>
<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>Internal Audit &amp; Compliance functions, Risk &amp; Compliance Committee, external specialists. Six-monthly reviews and annual workshop.</td>
<td>Specific initiatives, including GDPR, 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.</td>
<td>Measures are agreed strategically, but with local implementation parameters, based on specific office location, age etc.</td>
</tr>
</tbody>
</table>

**Environment/ESG**
(see also Responsible business on pages 60 to 63)
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

Strategic pillars
1. To be a leader in the markets we choose to serve.
2. Leverage our position at the centre of STEM to deliver sustainable value to our candidates and clients.
3. Create a world class operational platform through data, technology and infrastructure.
4. Find, develop, and retain great people.

01 Macro-economic environment cyclicality, including Brexit
A change in the market or geo-political conditions adversely impacting performance, thereby reducing profitability and liquidity.

Any failure to react to or to take advantage of changes in the economy in a timely manner can result in lower revenue and therefore reduce profitability.

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-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 dependent on any single one.

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 finished in the event of a decline in business.

The Group has a flexible cost base that is carefully managed to react swiftly to changes in market activity.

This has been demonstrated by our reorganisation and reduction in headcount as part of our response to COVID-19 health crisis management.

The Group has a strong balance sheet with low levels of net debt through the year and committed/flexible debt facilities to support the business.

The Group is cash generative and requires low levels of capital investment.

We continue to monitor the impact of Brexit and assess how we mitigate our risks in the UK, with opportunities in Continental Europe, especially in Banking & Finance however, being well placed in both the UK and EU, we do not expect a significant, if any, impact on our overall trading.

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 alternative 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 profits.

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.

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.

The Group has a diverse mix of clients/customers and is not financially dependent on any single one.

Mitigating factors and controls
We have further strengthened credit rating and verification procedures to manage bad debts, working capital, credit control and other financial risks. The Group also has a diverse mix of clients/customers and is not financially dependent on any single one.

A newly developed and more in-depth credit risk review process has been designed and deployed to enhance the data available, covering over 90% of our global customer base. This drives a risk-based collection strategy and bad debt provisioning processes, resulting in a much clearer/faster view of financial risk and potential mitigation. Based on a recent monthly review, over 90% of our customer base is classed as low/moderate risk.
RISKS continued

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. Contact 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 skillset, 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 LTPs via RSUs.

Continuous 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 THRIVE, to ensure colleagues have the support they need to maintain positive working practices across key areas of focus.

Role 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.
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.

Recognising the increased risks of COVID-19, more remote working practices (outside corporate office infrastructure) and the importance of data to the organisation, we’ve engaged a security operations partner to actively monitor Group systems to ensure a real-time view of our technology security position and enable vulnerabilities to be identified and addressed as they occur.

Certain third party suppliers provide essential technology and project infrastructure and their performance/suitability is monitored to safeguard business-critical processes or projects as far as is practicably possible.

Technology systems and providers are periodically reviewed to ensure they remain suitable and project management teams review risks associated with upgrading of key systems, utilising robust management tools which monitor progress across the life of any project. The increasing use of cloud platforms is a key component of our strategy to mitigate technology-related risks.

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.

Change from last year  
Link to strategic pillar  
Our position  
Our platform  
Our markets  
↓
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.

Additionally, in almost every jurisdiction, there is an increased burden of general regulation as a means of ensuring companies, their Boards and senior management commit to their obligations to act in a responsible manner with a good standard of corporate governance. For example, data privacy, anti-bribery and corruption legislation, and competition law.

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.

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.

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.

A key part of successful change management is to ensure values and culture changes keep pace with organisational, or other, changes.

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 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.
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 were impacted, being down 7% versus H1 2020, the period when the global economy have been considered. In this scenario we the majority of our markets went into lockdown and were impacted, being down 7% versus H1 2020, the period when the global economy have been considered. In this scenario we have considered the principal risks.

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.

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.

The Board continues to adopt the going concern basis and meet its obligations 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 and 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. The 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’

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

Our policies and procedures

Employees

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

Human rights

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

Social matters

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

Anti-bribery and corruption

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

Environmental matters

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

See our website; please note some of the policies are available on request from Company Secretary.

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.

Internal control systems and procedures are also subject to regular audits to provide the Board with the assurance that the policies are effective in countering bribery, corruption, and any other examples of malpractice.

The Board is also supported by the ESG Committee, to whom certain responsibilities have been delegated, to safeguard the development, and adherence to the internal procedures and systems, developed to pursue the Group’s ethical, social and environmental goals.

See Stakeholder engagement on pages 30 to 37
See Our Board on pages 94 to 98
See Directors’ report on page 133 to 136
See SThree plc’s SECR compliant Directors’ statement on pages 138 to 142

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 Strategy in action on pages 42 to 59

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 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

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

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

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 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

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.

COMPLIANCE STATEMENTS continued

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.
BUSINESS REVIEW

EMEA excluding DACH

38% of Group net fees

Highlights

- Development of localised customer-centric strategies in the UK has seen an increase in customer penetration.
- High-value employed contractor model in the Netherlands remains resilient throughout the health crisis.
- Building very strong client and candidate relationships in the Netherlands has allowed us to outperform and take market share.

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%*.

Net fees mix

<table>
<thead>
<tr>
<th>Countries/regions</th>
<th>Division</th>
<th>Sector</th>
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<td>14%</td>
<td>Permanent</td>
<td>Engineering</td>
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<tr>
<td>14%</td>
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<td>Banking &amp; Finance</td>
</tr>
<tr>
<td>3%</td>
<td></td>
<td>Other</td>
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</table>

Average sales headcount

2020: 934
2019: 1108

Net fees

2020: £118m
2019: £141m

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

34% of Group net fees

Highlights

- Winner of Mittelstand Deutschland Top Employer 2020 for the fourth consecutive year.
- Successful reorganisation of our management infrastructure towards our 2024 strategic goals.
- Resilient performance despite significant challenges in trading conditions due to our leadership in highly specialised STEM markets, resulting in growth in market share.

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%*.

Net fees mix

<table>
<thead>
<tr>
<th>Countries/regions</th>
<th>Division</th>
<th>Sector</th>
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</thead>
<tbody>
<tr>
<td>60%</td>
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<td>Life Sciences</td>
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<td>18%</td>
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<tr>
<td>6%</td>
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<td>Other</td>
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</table>

Average sales headcount

2020: 786
2019: 778

Net fees

2020: £106m
2019: £109m

Strategic progress
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.
Our people are key to us – therefore, we are continuously developing our employer value proposition and have made it our top priority to protect our people and create a safe working environment for them in light of the global health crisis.
This has resulted in being awarded the Top Employer Award (Mittelstand) for the fourth consecutive year.

Net fees mix

<table>
<thead>
<tr>
<th>Countries/regions</th>
<th>Division</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>Contact</td>
<td>Life Sciences</td>
</tr>
<tr>
<td>58%</td>
<td>Permanent</td>
<td>Engineering</td>
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<tr>
<td>16%</td>
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<td>Banking &amp; Finance</td>
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<tr>
<td>2%</td>
<td></td>
<td>Other</td>
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* In constant currency.
USA

**25% of Group net fees**

**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 11%.

**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 11%.

**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.

**Net fees**

- **2020** £77m
- **2019** £77m

**Average sales headcount**

- **2020** 389
- **2019** 393

**Net fees mix**

- **Contract** 89%
- **Permanent** 13%

Asia Pacific

**3% of Group net fees**

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

**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.

**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.

**Net fees**

- **2020** £8m
- **2019** £11m

**Average sales headcount**

- **2020** 86
- **2019** 104

**Net fees mix**

- **Japan** 74%
- **Singapore** 26%
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

* Excluding the impact of £3.3 million in net exceptional income (2019: £2.3 million in net exceptional cost).

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 optimise SThree’s resilience in the future. A charge of £3.3 million (2019: £1.1 million) was recognised for underperforming internally developed assets which were assessed as no longer recoverable in the course of normal operations.

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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: £57.7 million). 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 a temporary reduction in the Senior Executives’ salaries. The Group also benefited from the government job retention support schemes in selected countries.

In line with our revised strategy and ambition to be the number one talent provider in the best STEM markets in which SThree operates, 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: £57.7 million). 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.

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Operating profit 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 £3.3 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.

The Group’s alternative performance measures, used throughout this Annual Report, are fully explained and reconciled to IFRS line items in note 26 to the financial statements.

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Net finance costs

Net finance costs increased to £1.2 million (2019: £0.3 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 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, a one per cent movement in annual exchange rates of the Euro and US Dollar against Sterling impacted our 2020 net fees by £1.8 million and £0.8 million respectively, and operating profit by £0.5 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 reported profit before tax was £21.7 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 taxable profits by territory, non-deductibility of the accounting charge for UKP and other non-tax items.

In 2020, the extent to which tax credits on loss-making businesses were recognised had a material impact on the Group ETR. The COVID-19 health crisis increased the ratio of operating losses as a proportion of the absolute profits and losses of the Group. This, together with the reduction in Group results, resulted in the non-recognition of tax credits on loss-making businesses.

The Group is affected by the European Commission’s investigation into the state aid received by foreign subsidiaries controlled by the Company. Whilst this was noted as a contingent liability in 2019, 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 and this also impacted the Group ETR.

Overall, the reported profit before tax from continuing operations was £30.1 million, down 48%. YoY. The adjusted profit before tax from continuing operations was £30.1 million, down 49% YoY (2019: reported £66.8 million and adjusted £69.1 million).