Dear shareholder

STHREE PLC - NOTICE OF GENERAL MEETING

I am writing to inform you that a General Meeting ("GM") is to be held at our offices, 5th Floor, GPS House, 215-227 Great Portland Street, London W1W 5PN on Monday 23 December 2013 at 9.30am.

SThree plc ("SThree" or the "Company") intends to reorganise its UK businesses into a limited liability partnership ("LLP") which will (through one of SThree's existing subsidiaries) be a subsidiary of SThree ("Reorganisation"). In connection with the Reorganisation and in order to better incentivise our UK senior managers, it is proposed that incentive arrangements are introduced via the LLP, as explained in further detail in Appendix 1 of this circular. As these incentive arrangements are considered to involve an employee share plan arrangement, on similar terms to the existing arrangements, shareholder approval is required. Accordingly, the formal notice and particulars of the resolution on which shareholders can vote, as well as details of the administrative arrangements are all set out in this circular. The newly created LLP will be a subsidiary of SThree and subject to the ultimate control of SThree, much like any normal limited company. The proposed Reorganisation and introduction of the LLP does not affect the Company's interests in its subsidiaries or create increased risks. There are, however, a number of benefits from using an LLP, outlined as follows:

- **Protection of the business** - the terms upon which selected senior personnel are to become members of the LLP will involve them resigning their employment (and together with it, their rights under employment legislation) and entering into a contractual arrangement. A feature of the proposal is that, in certain specific cases, significantly more restrictive terms can be enforced in relation to their conduct should they leave the business;

- **Cost savings** - bringing UK businesses together within the LLP will reduce the number of active group entities, and create administrative as well as national insurance cost savings, including removing the need to prepare statutory accounts, etc, for each of those entities and gradually reducing the current level of
corporate complexity. The LLP itself is more flexible with fewer formal requirements than a limited company in relation to its constitutional and capital requirements and after the first year, it is anticipated that the costs of administering the LLP will be much lower than currently;

- **Incentivisation of key managers** - specialist recruitment is a ‘people’ business which depends on teams led by managers who are engaged, entrepreneurial, and focused on long term success. For many years, it has been an established practice within the SThree group of companies to use management equity incentives to encourage the development of new businesses. This practice is embodied in the current minority interest (‘MIs’) or ‘tracker share’ arrangements (details of which are contained in Appendix 2 of this circular). LLP membership would create a simpler and more flexible means of putting into effect the philosophy behind these arrangements. In particular, the new arrangements will enable a number of UK based senior individuals to receive MIs capital rights under the LLP, where the costs incurred could have previously been prohibitive;

- **Enhancement of career opportunities** - creating a cadre of management personnel identified as entrepreneurial partners in the business offers an opportunity to enhance career development and provides an incentive to the next generation of senior management to win that recognition; and

- **Entrepreneurs relief** - gains and losses arising from certain capital interest arrangements related to the LLP should qualify for capital gains tax and attract Entrepreneurs Relief (a 10% tax rate) and this will clearly be advantageous for some of its members. Currently, only a limited number of our incentive arrangements benefit from this relief and we therefore see the opportunity to widen this as beneficial to both the Company and participating individuals.

If you are not able to come to the GM in person, your vote is still important and I would urge you to complete, sign and return the accompanying proxy form to be received by 9.30am on Thursday 19 December. Submission of a proxy appointment will not prevent you from attending and voting at the GM in person should you wish to do so.

**Recommendation of the Board**

The board of directors of SThree ("Board") believe that the proposed resolution is in the best interests of the Company and its shareholders as a whole and unanimously recommend you to vote in favour of it, as they intend to do in respect of their own shareholdings.

In line with our Corporate Social Responsibility policy, we also offer shareholders the opportunity to register to receive communications by email. The Board are keen to encourage the use of this service and, if it is of interest, you can find further information in Note 7 to the Explanatory Notes to this circular.

Yours sincerely

Clay Brendish
Chairman
STHREE PLC - NOTICE OF GENERAL MEETING

This notice sets out the resolution to be voted on at the Company’s General Meeting to be held on Monday 23 December 2013 at 9.30am.

Notice is hereby given that the General Meeting of SThree plc will be held at 5th floor GPS House, 215-227 Great Portland Street, London W1W 5PN on Monday 23 December at 9.30am to consider the following resolution:

ORDINARY RESOLUTION

Resolution 1

THAT the Company be and is hereby authorised to offer key individuals the opportunity to acquire capital interests via a limited liability partnership ("LLP"), which will represent an interest in certain of the LLP’s businesses, the main features of which are summarised in Appendix 1 accompanying this notice of General Meeting.

By order of the Board

Steve Hornbuckle
Group Company Secretary

27 November 2013
5th Floor, GPS House
215-227 Great Portland Street
London W1W 5PN
Notes

1. A member is entitled to appoint another person as his proxy to exercise any or all of his rights to attend and to speak and vote at the General Meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.

2. A form of proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.

3. To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be either (a) sent to the Company’s Registrars, Capita Asset Services, in accordance with the instructions on the form of proxy, so as to arrive no later than 48 hours before the time for holding the meeting or any adjournment of it or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, or (b) lodged using the CREST Proxy Voting Service – see Note 8 below.

4. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (“nominated persons”). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

5. Holders of ordinary shares of 1p each in the capital of the Company (“ordinary shares”) are entitled to attend and vote at general meetings of the Company. On a vote by show of hands every member who is present has one vote. Each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more member to vote against the resolution. On a poll vote every member who is present in person or by proxy has one vote for every ordinary share of which he is the holder.

6. As at 26 November 2013 (being the latest practicable date before the publication of this Notice) the Company’s issued share capital consists of 123,797,254 ordinary shares, carrying one vote each including any shares held in SThree’s treasury account. Therefore, the total voting rights in the Company as at 26 November 2013 are 123,272,810.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with CRESTCo’s specifications and must contain the information required for such instructions, as described in the CREST Manual available via web address www.euroclear.com/site/public/EUI. The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by issuer’s agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him by other means.

9. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
Explanatory Notes

1. Creation of capital rights within an LLP over part of STThree’s UK businesses (Resolution 1)

Resolution 1 is proposed as an ordinary resolution. This means that for the resolution to be passed, more than half of the votes cast must be in favour of the resolution.

Shareholders are asked to approve that the Company offer key individuals the opportunity to acquire capital interests which will represent an interest in certain of the LLP’s businesses, the main features of which are summarised in Appendix 1 accompanying this notice of General Meeting.

2. Documents for Inspection

Copies of the following documents will be available for inspection during normal business hours at the Company’s registered office from the date of the Notice of GM to the close of the GM and at the place of the GM from 15 minutes prior to its commencement until its conclusion:

- copies of the proposed partnership agreement for the LLP, in which key individuals will be invited to acquire capital interests.

3. Entitlement to Attend and Vote and Multiple Proxies and Corporate Representatives

Entitlement to attend and vote at the meeting and the number of votes which may be cast, will be determined by reference to the Company’s register of members at 6.00pm on Thursday 19 December or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (as the case may be). In each case, changes to the register of members after such time will be disregarded. The Company will also adhere to the guidance from the Institute of Chartered Secretaries and Administrators on multiple proxies and corporate representatives at general meetings.

4. Automatic Poll Voting

The resolution being put to the meeting will be voted on by poll and not by a show of hands. A poll reflects the number of voting rights exercisable by each member and so the Board considers it a more democratic method of voting. It is also in line with recommendations made by the Shareholder Voting Working Group and Paul Myners in 2004. Members and proxies will be asked to complete a poll card to indicate how they wish to cast their votes. These cards will be collected at the end of the meeting. The results of the poll will be published on the Company’s website and notified to the United Kingdom Listing Authority (“UKLA”) once the votes have been counted and verified.

5. Administration

For the safety and comfort of those attending the GM, certain items will not be permitted in the meeting room. These include large bags, cameras, recording equipment and such other items as the Chairman of the GM may specify. Cloakroom facilities will be provided.
Any member attending the meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered. In order to respond comprehensively, it would be helpful to have a note of the details of any proposed questions in advance, although this is not obligatory. Questions may be sent by post to the Group Company Secretary, Steve Hornbuckle at 5th Floor, GPS House, 215-227 Great Portland Street, London W1W 5PN or by email to cosec@sthree.com.

6. Information available on website

A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.stthree.com.

7. Electronic and web communications

The Companies Act 2006 enables companies to communicate with members by electronic and/or website communications. Accordingly, the Company’s articles of association allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the provisions relating to website communications. However, before the Company can communicate with a member by means of website communication, the relevant member must be asked by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within a period of 28 days beginning with the date on which the request was sent. The Company will notify a member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

The Company would like to offer shareholders an electronic communication service and shareholders have the opportunity to register an email address in order to receive communications via email. If any shareholder would like to receive communications from the Company via email, including notification of when a new report/Notice of Meeting, etc is available on the website, they should log on to www.capitashareportal.com and follow the links to register an email address with the Registrar. If any shareholder requires assistance while registering an email address, they should telephone Capita Asset Services on 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8.30am – 5.30pm Monday to Friday). If dialling from overseas please call + 44 20 8639 3399. Shareholders who opt for email communications will not receive a hard copy proxy form when a Notice of Meeting is published on the Company’s website – instead, they will need to register a vote via the Registrar’s website. This can also be done via www.capitashareportal.com.
APPENDIX 1

SThree plc – Reorganisation of SThree’s UK businesses into an LLP

Overview and summary

The SThree Group (including SThree plc and its subsidiaries, the “Group” or “SThree”), is reorganising certain parts of the Group so that a limited liability partnership (“LLP”) will acquire and operate all, or almost all, of its UK trading businesses as detailed below (“UK Businesses” (“LLP Restructuring”). The UK Businesses are currently either within limited liability companies which are 100% subsidiaries of the Group or within limited liability companies which are subsidiaries of the Group but that also have minority shareholders who are typically employees of that business or another Group business. The LLP will also be a subsidiary of the Group.

Under the arrangements, selected senior personnel (currently circa 32 senior individuals, none of whom is an SThree plc director (“Director”)), within the UK Businesses will be invited to become partners or Individual Members (“IMs”) of the LLP and a wholly owned subsidiary of SThree, SThree UK Operations Limited (“SUKO”) will be admitted as a Corporate Member (“CM”) of the LLP. The terms of the CM’s membership participation rights will be such that the LLP will be controlled by the CM, and hence by SThree and that the LLP will therefore be a subsidiary of the Group.

If the arrangements are approved, the Board will replicate as far as possible the existing system of management equity incentives for the IMs by issuing proposed contingent capital interests in the LLP to the IMs such that, as far as possible, the IMs are in a similar economic position with regard to equity incentives after the proposed transaction as they were before. In some cases, where IMs have minority interests under the existing minority interest (“MIs”) arrangements, they will transfer those interests to the LLP in satisfaction of their capital contribution to the LLP, and will be awarded a separate capital interest which will have a similar economic value to the MI interest transferred to the LLP. The differences that are envisaged between the existing incentive arrangements and the proposed incentive arrangements are detailed below.

Dilution limits which exist under the Group’s existing incentive arrangements will continue to apply under the LLP. For the avoidance of doubt, the “5% in 10 years” and “10% in 10 years” share capital dilution limits in the existing Long Term Incentive Plan (“LTIP”) will continue to apply in relation to the shares in SThree plc which may be issued as consideration for the sale by IMs of capital interests which reflect the existing LTIP arrangements. To the extent new capital interests are granted to IMs under the proposed arrangements and which reflect an interest in an underlying business, these will not, in aggregate, exceed in value the amounts to which the IMs could become entitled under the existing MIs arrangements (which are limited to 25% of the share capital of the relevant subsidiary: see Appendix 2) unless shareholder approval is first obtained. This is in line with the existing MI arrangements which have already been approved by shareholders.

Main Benefits

The Board believes that the LLP Restructuring and incentive arrangements detailed in this appendix will assist the Group with incentivising and retaining its key personnel by providing an aspiration for employees of the UK Businesses in terms
of the attainment of the position of “partner” in the LLP (meaning that they become an IM) in addition to the incentive arrangements offered. An LLP also offers greater flexibility in respect of its capital structure to facilitate enhancement of the existing arrangements, going forward.

Under the existing MIs arrangements (described further below), entrepreneurial individuals are given the opportunity to buy into the business they help to set up and develop. It is felt that this mechanism has become expensive for the Group, particularly where the businesses are mature. SThree currently operates all of its global MIs arrangements via two UK companies, which confer tracker rights over various businesses globally.

Using the LLP, a wider range of options can be offered, including the award of new capital interests in respect of more mature businesses which can be subject to more flexible hurdles, which determine the extent to which awards vest. One or more performance hurdles could be built into the awards such that the full potential value of those interests in the hands of the individual would only be capable of being realised as those hurdles are met. For example, these hurdles might require a particular level of growth in the underlying business – for example, a stretching percentage increase above the current value. The individual would then be able to participate in the growth of the business above the hurdle.

What is an LLP?

An LLP is a form of partnership which is a body corporate with legal personality. An LLP may own property and enter into contracts in the same way as a limited company, and is subject to many of the requirements of the Companies Act 2006 ("Companies Act"). An LLP has flexibility as to the internal structures and capital and profit sharing arrangements which it wishes to adopt and is governed by the terms of the partnership agreement entered into by the partners and various statutory regulations (principally the Limited Liability Partnership Act 2000 and the Companies Act). When compared with a traditional limited liability company, an LLP provides a more flexible capital structure based on membership interests rather than share capital.

Existing and proposed structure, including MIs

Existing structure and equity incentives

STThree strongly promotes capital ownership of the business by employees. One way it has achieved this has been to allow senior employees to invest in the business through minority stakes or MIs. Another way has been through STThree’s employee share schemes, including the LTIP.

STThree regards its MIs model as a key factor in its success and has created new MIs structures annually since flotation, with shareholder approval obtained at each Annual General Meeting ("AGM"). Most, if not all, investors accept that this is a key part of STThree’s entrepreneurial culture and a core part of its multi-brand strategy.

To date, STThree has created over 90 such MIs structures, which are operated via UK sub-holding companies through which all MIs businesses operate, with the MIs shares each tracking the performance of the relevant underlying business in which the participant has a stake. The various share rights are set out in detail in the appendix to the AGM notice each year and, for clarity, are also summarised in Appendix 2 of this circular. It is not envisaged that these rights, as replicated within
the LLP structure, will be substantially different under the proposed LLP structure save that they may be granted over different underlying businesses.

Over the years, the Group’s structure has gradually expanded and become more complex, and the Group now wishes to adopt one simplified UK structure which can accommodate differing capital rights, including amongst other things, MI and long term capital incentive arrangements and others, but under which any existing rights and terms can be mirrored. The LLP provides an opportunity to create a consolidated and streamlined structure, whilst also allowing greater flexibility as the Group expands.

Under the current Group structure, SThree UK Holdings Limited (“SUKH”), an intermediate holding company, owns several UK trading companies – the principal subsidiary being SThree Staffing UK Ltd (“SSUK”), which is the employer of most of the UK “front office” personnel. SThree plc directly owns a number of service companies including SThree IP Limited (“SIPL”), SThree Finance Limited (“SF”) and SThree Management Services Limited (“SMS”). SMS is the employer of all “back office” staff in the UK.

**Proposed structure and capital interest arrangements**

The SThree Group is to reorganise itself such that an LLP will acquire and operate all, or almost all, of its UK trading businesses. The most senior personnel within these businesses, including some key support service leaders, will be invited to become IMs of the LLP on a voluntary basis - such senior personnel being able to decline this invitation at their discretion and remain as employees instead of becoming a member of the LLP. The LLP (called SThree Partnership LLP), is to be controlled by SThree plc and will at all times be subject to the SThree Subsidiary Framework (which applies to all SThree subsidiaries, is based on the Institute of Chartered Secretaries and Administrators best practice, and works so that all material decisions are reserved for the SThree plc board (“Board”) / Board committees (as applicable)) adopted by the Board from time to time ("Subsidiary Framework") and will qualify as a subsidiary for Companies Act purposes.

As part of the restructuring, it is intended that existing MIIs held by individuals who will become IMs of the LLP will be contributed by those individuals to the LLP. Individuals who contribute their existing MIIs interests will receive capital interests in the LLP which have a similar economic value to the MIIs contributed, such that there will be no economic benefit transfer to those individuals.

Individuals who do not have existing MIIs (including new IMs joining the Group after the creation of the LLP) will be asked to contribute into the LLP in cash. The management committee of the LLP (see below) will decide which individuals will be admitted as new IMs. It will be a requirement of being admitted as an IM that an individual will first have completed a probationary period of employment with the LLP (or any other Group member) for a minimum three month period.

The intention is that

- the LLP capital interests will in substance reflect either (1) the existing MII arrangements which are in place (which are approved each year at the AGM) or (2) the existing LTIP arrangements (again which have been subject to shareholder approval) as closely as is feasible including the tracking of performance and use of relevant hurdles but subject to the differences outlined below and in particular, the five year vesting and realisation periods.
Both types of capital interest will represent an interest in one or more discrete businesses which will be carried on by the LLP:

- the LLP capital interests will ultimately be settled in shares of SThree plc (through the sale arrangements described below), the market value of the SThree plc shares which will be acquired being equal to the value of the capital interest at the time of settlement.

Accordingly, shareholders are asked to approve the capital interest arrangements being created by the LLP as an employee share scheme for the purposes of the rules published by the Financial Conduct Authority and contained in the listing rules sourcebook ("Listing Rules").

Whilst we do not currently envisage it, should main Board Directors become members of the LLP and receive capital interests, the award of such interests and their terms, will continue to be subject to the governance of the SThree Board/committees (including the Audit, Remuneration and Nominations’ Committees), with such interests being subject to similar performance or other conditions as have applied to main Board Directors’ equity incentive awards previously, or as approved by shareholders from time to time. In the event any of the main Board Directors wish (following an invitation from the management committee and with the approval of the Company’s remuneration committee) to become an IM and be granted with capital interests in the LLP as outlined herein (whether in respect of legacy minority interests or in respect of a future capital rights award), it is not currently envisaged that additional shareholder approval would be sought (subject to any requirement for shareholder approval under the Listing Rules and/or the Companies Act).

**Differences between the current structure and the proposed structure**

The existing minority interest arrangements operate in respect of both the UK businesses and overseas businesses of SThree.

It is only UK Businesses which are being transferred to the LLP. It is envisaged that employees who currently hold MIs which track other businesses and whom it is envisaged will become individual members of the LLP will transfer those MI Shares to the LLP in satisfaction of the individual’s capital contribution amount. In turn those MI shares may be transferred by the LLP to SThree plc.

Where MI Shares which track an overseas business ("Relevant Business") are transferred to the LLP, it is envisaged that capital interests in the LLP of similar value will be awarded to the IM. The capital interest awarded would be such that the value which is realised from it will equate to the value of the interest in the Relevant Business which the IM had prior to joining the LLP.

Future awards of capital interests will reflect an interest in one or more of the underlying businesses held by the LLP.

The current LTIP incentives generally operate over a three year performance and vesting period (except in the case of leavers or on an intervening corporate event). The capital interest awards will replace the existing LTIP arrangements (as opposed to the MIs) but will instead vest over a longer, five year period and realisation will effectively only be possible on each fifth anniversary of creation of the LLP on or following the end of the 5 year vesting period. Performance targets will remain as they are now, with flexibility below the main Board to use any combination of
earnings-per-share, total shareholder return, personal or other relevant targets. The current LTIP rules also allow for dividend equivalents to be paid on vested shares. Under the LLP, these will instead be replaced by way of additional profit share. The current LTIP rules also provide in respect of "good" leavers that unvested awards lapse unless the remuneration committee determines otherwise (in which case, the remuneration committee may also pro-rate awards for time and performance). Under the capital interest arrangements which reflect the LTIP, the default position for "good" leavers will be that they can keep awards, with the management committee having discretion to require them to be sold at a price not exceeding market value. This reflects how the existing LTIP operates in practice.

The management committee will also have the ability to award discretionary profit shares which would 'vest' according to the achievement of certain performance conditions over a three year period (and subject to the individual continuing to be a member of the LLP) instead (in whole or in part) of the 'five year' capital interest awards. The conditions for vesting of these three year profit share awards will be similar to the existing LTIP, and the leaver provisions will be the same as apply to the five year capital interest awards described above. The intention would also be to 'settle' this profit share in shares in SThree plc, but subject always to the 5% and 10% dilution limits referred to on page 7 of this circular. It is envisaged that capital tax treatment will apply to the five year capital interest, but not to the three year profit shares.

There will be some differences between the existing and new arrangements because of the different corporate structure. For example, the existing MI arrangements (as further detailed in Appendix 2) set out what happens on a sale of the operating companies which operate the relevant businesses. This will not be relevant under the new structure as the businesses will be held directly by the LLP. Similarly, the new arrangements will need to deal with the potential (if unlikely) sale of the LLP.

Under the existing MI arrangements, dividends are generally declared once a year on the holdings in the operating subsidiaries. The employees holding MIs in the relevant subsidiaries participate in these dividends. It will not be possible to precisely mirror this in the new LLP structure (because there will be no subsidiaries) but it is intended to reflect it through an award of an additional discretionary profit share by the LLP, should this be warranted.

The articles of association of the operating companies in which the MIs are held allow for "permitted transfers" of shares to, among others, family members. Ownership of capital interests by individuals other than IMs is not consistent with a partnership structure and therefore IMs will not be permitted to transfer their capital interests to family members. Similarly, on a sale of a capital interest, where permitted and where the CM does not wish to purchase the capital interest, the IMs will be able to sell it to another IM but not to any other person. This is in contrast to the existing MI arrangements, which permit transfers of the MIs to any person.

Realisation of value from capital interests

In terms of realisation of the value of the capital interests which are intended to reflect the existing MIs arrangements, the management committee will set a "vesting" period in relation to MIs capital interests, which will never be less than three years and will normally be five years (the "Specified Period"). Individuals will not normally be able to offer their MIs capital interests for sale to the CM before the expiry of the Specified Period. After the expiry of the Specified Period, an individual will be able to offer his MIs capital interest for sale to the CM at market value. For these purposes,
market value will be determined by computing the earnings per share of the relevant business in the last financial year prior to the sale multiplied by a multiple of between one half and two thirds of the price/earnings ratio of SThree plc at the time of sale. The price/earnings ratio will normally be calculated by using the adjusted earnings per share applicable to SThree plc at, or near, the point of sale. There will be no obligation on the CM to purchase any MIs capital interests, and where it does determine to purchase such capital interests the purchase price will generally be settled in shares of SThree plc having a market value equal to the value of the capital interest determined as noted above. If the CM determines not to purchase an individual's MIs capital interests, the IM may offer those interests for sale to other IMs. To the extent that any IM disposes of a MIs capital interest, unless that person has left the partnership completely, they must retain a minimum capital subscription amount of £10,000 within the LLP.

In terms of realisation of the value of the capital interests which are intended to reflect the existing LTIP arrangements, it is intended that the capital interest may be offered for sale to the CM on a similar basis as for the capital interest reflecting MIs interests described above (but with the market value being determined by the management committee so as to give as close to the economic value as possible as would be realised under the existing LTIP arrangements). Realisation would, however, only be possible on each fifth anniversary of the date of the LLP Agreement on or following the end of the five year vesting period.

Individuals who retire from the partnership before the expiry of the Specified Period will normally be obliged to offer their MIs capital interests for sale at the lower of market value and the amount of their contribution to the LLP in the form of the transfer of MIs to the LLP. Exceptionally, an IM may (at the discretion of the management committee) be allowed to retain an MIs capital interest, or to sell them to the CM at a price not exceeding their market value.

In the case of individuals who hold capital interests reflecting former LTIP arrangements, if they retire from the LLP before the expiry of the five year vesting date, they would normally be obliged to offer those capital interests back to the CM for nominal consideration. However, if the individual retires from the LLP for certain "good" reasons (including death, and serious illness or disability) the IM may be allowed to retain his capital interests unless the management committee requires him to sell them to the CM at a price not exceeding their market value. This reflects how the existing LTIP operates in practice in respect of good leavers.

In the case of both types of capital interest, it is intended that individual members will be able to realise the value of their capital interests on a corporate event such as a change of control of SThree plc or the LLP, in similar circumstances as applies under the current MIs and LTIP arrangements.

Amendments

No amendment to the capital interest arrangements which is to the advantage of any IM and which relates to eligibility to be considered as an IM or the basis of determining entitlement shall be made without the prior approval of SThree's shareholders (except for minor amendments to benefit the administration of the capital interest arrangements, to take account of change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for IMs or for SThree or any member of the Group).
Management/control

The CM will retain overall control over the LLP in accordance with the terms of the LLP agreement. The LLP agreement will provide that the CM is required to be in attendance for any meetings of the management committee or of the members of the LLP in order for such meetings to be quorate. The CM will also have the right to appoint and remove members of the management committee. Further, the LLP will at all times be subject to the Subsidiary Framework which ensures that major operational and strategic decisions are reserved for the Board whilst day to day operation will be delegated to the LLP in the same way as other subsidiaries. This means that significant business decisions are effectively reserved for SThree plc's Board or committees (as appropriate). As noted above, the management committee of the LLP (which will operate in a similar way to a board of directors of a subsidiary company) will be responsible for day to day operations and strategy of the LLP. The CM will be represented on the management committee and will be required to be in attendance for meetings to go ahead and decisions to be made.

The management committee would be required under the partnership agreement to manage the affairs of the LLP in the best interest of its own business, without necessarily having regard to the personal interest of individual members, much the same as a limited company. However, it is noted that given the rights the CM has in the LLP, in practice SThree will maintain indirect control of the LLP, similar to any normal subsidiary. The management committee will at all times be bound by the Subsidiary Framework. Other committees including the remuneration committee, nominations committee and audit committee will be structured to maintain the existing level of corporate governance of all relevant businesses including the LLP.

Accounting impact

The Group accounts for its existing ‘tracker share’ awards in subsidiary companies as share based payment transactions in accordance with International Financial Reporting Standard 2 ("IFRS 2"). The detailed terms of the proposed capital interests in the LLP will be included in the LLP members’ agreement, available at the shareholders’ meeting. It is envisaged that the proposed contingent capital interests arrangement would also be accounted for as a share based payment transaction in accordance with IFRS 2, in a similar way to the existing tracker share awards, as the nature of the IMs’ proposed capital interests in the LLP will qualify as equity instruments.

SThree existing share schemes

SThree’s existing employee share schemes will remain in place following the restructuring. These schemes will continue to be used to incentivise, on the same basis as previously, both employees of the LLP and any subsidiary of the LLP, as well as employees of the Group who do not become employees of the LLP or any subsidiary of the LLP. However, IMs will not be eligible for future participation in these schemes. None of the existing share schemes, nor the LLP, will confer rights which are pensionable.
APPENDIX 2

SThree plc – Current Minority Interest equity incentive structure (as approved at the AGM held by the Company on 18 April 2013)

Below is a summary of the various share rights that were attached to the offers that were made to key individuals of the Company for minority interests (as tracker shares) in certain SThree subsidiaries, as approved at the AGM held by the Company on 18 April 2013.

Common Features

Each of the offerings that were made in the subsidiaries share common features, and are broadly the same common features that shareholders have approved in previous years.

The common features of the subsidiaries, whether a subsidiary owning the business or a holding company owning several businesses, are as follows:

(i) Share Capital

Each subsidiary has at least two classes of ordinary shares. In the case of a holding company issuing tracker shares in a number of businesses, there are at least two classes of ordinary shares for each business it owns. One class of ordinary shares is held by the Company. Other classes have also been offered to key individuals. The ordinary shares offered to key individuals are not more than 25% of the ordinary share capital of each subsidiary; whilst they have up to 25% of the voting power of the subsidiary, they are entitled to up to only 20% of any dividend on the ordinary shares. The Company can also issue preference shares, for control purposes.

(ii) Eligibility

No person who was a director of the Company at the time shareholders approved the offer of shares in a particular subsidiary could acquire shares in the relevant subsidiary. Shares were therefore only offered to other key individuals, who could acquire shares in more than one subsidiary.

(iii) Purchase price and financing

The price payable by an individual was based on the fair value of the shares awarded, as determined by an independent third party share valuer and taking into account the particular rights attached to the shares described in the articles of association of the relevant company. The Group could lend the purchase price to the individual, on such terms as were appropriate, including that the loan is outstanding until such individual ceased to hold the shares or ceased to be employed by the Group. A market rate of interest was to be charged if a loan was made.

(iv) Cessation of employment

Where a minority shareholder ceased to be employed by any company in the Group, under provisions contained in the articles of association of that company, he is required to sell his shares in the relevant company. The Board set a period, which will never be less than three years and will normally be five years (the "Specified Period"), which would apply when the individual acquired the shares. If the sale is within the Specified Period, the price payable would be the lower of the market value
and the amount paid for the shares (or, in exceptional circumstances and at the Company's discretion, such other price, not exceeding market value). If the sale is later than the Specified Period the price payable is the market value. For these purposes, market value is determined by computing the earnings per ordinary share of the last financial year prior to the sale multiplied by a multiple of between one half and two thirds of the price/earnings ratio of the Company at the time of sale. The price/earnings ratio is calculated on the adjusted earnings per share published in the Company's annual accounts.

(v) Other sale events

In the event of a sale of a subsidiary, or a change of control of the Company, a minority shareholder in that subsidiary can be required to sell (and that shareholder can require the Company to purchase) his shares in the subsidiary. In the event of a sale of the subsidiary, the sale price will reflect the price which the Company receives for its shares, and in the event of a change of control of the Company the sale price will be the market value of the shares in the subsidiary. For key individuals who acquire shares in a sub-holding company which owns either several companies or several businesses, there are similar sale provisions which apply if the relevant operating company or business is sold.

(vi) Restrictions on transfer

If a minority shareholder wishes to transfer or dispose of his shares (other than to certain family members or on his leaving the employment of the Group) he must first offer them to the Company and the price payable for such shares is their market value. If the Company declines to purchase the shares, they can be transferred to a third party.

(vii) Consideration payable

If the Company acquires any shares from a minority shareholder, the consideration can either be paid in cash or in Ordinary Shares in the Company, at the Company's discretion. Any Ordinary Shares issued by the Company in this respect will be within the annual limit of authority granted under section 549 of the Companies Act 2006 approved by the Company's shareholders each year.

(viii) Restrictions on alterations

Certain provisions of the arrangements outlined above, namely the persons who are eligible to acquire shares in the relevant subsidiary, the maximum percentage of shares in the subsidiary which may be offered to key individuals, and the terms on which the Company can acquire the shares from the key individuals cannot be altered to the advantage of these shareholders without the prior approval of the Company's shareholders in general meeting (except for minor amendments to benefit administration, or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the individual shareholders, the relevant subsidiary or for members of the Group).

(ix) Pension benefits

The acquisition of shares by key individuals, and their sale, does not give rise to any pensionable benefits.
In the case of an overseas subsidiary, the Company also reserved the right to offer key individuals shares in a UK sub-holding company which owns such overseas subsidiary, either directly or indirectly, and which track the performance of such overseas subsidiary. The Company also reserved the right to make such changes to the articles of association for an overseas subsidiary as it may be advised is necessary or desirable to take account of local legal and tax requirements.