Governance overview

The SThree Board aspires to adopt governance best practice wherever possible and has already embraced key changes to the UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in July 2018 ('the new Code') and Companies Act 2018 update, despite the fact that many of these changes are not yet applicable for the reporting year. These areas are incorporated and explained in greater detail throughout this and the other relevant sections of the Annual Report and include the following:

- Board engagement with employees – the Board appointed Denise Collis as the designated Non Executive Director responsible for employee engagement, to gather views from employees, from 1 December 2018
- Enhanced role of Remuneration Committee – terms of reference now include widened remit of setting senior management pay and oversight of remuneration and workforce policies and practices;
- Remuneration principles, structures and discretion – when setting policy, the Remuneration Committee already consider clarity, simplicity, risk, predictability, proportionality and culture; LTIPs have a minimum five-year vesting/holding period and we are developing a formal policy on post-employment shareholding requirements; any discretion used will take account of wider circumstances;
- Shareholder views – we routinely seek investor feedback on our governance and remuneration approach and did this again in October 2018, where there were positive comments from those who responded. By doing this we hope to avoid situations where there is a significant vote against any resolution;
- Clawback – incentive schemes have been updated to allow recovery of payments in specific circumstances such as (i) serious reputational damage and (ii) corporate failure;
- Board composition – provisions regarding diversity, over-boarding, Chair tenure and Remuneration Committee Chair experience are all complied with;
- Companies Act 2018 changes – new provisions regarding Chief Executive Officer pay ratio disclosure, share price appreciation, use of discretion, Directors' duties and enhanced Remuneration Committee reporting, are all incorporated in the Directors' Remuneration Report or other relevant sections of the Annual Report.

UK Corporate Governance Code

The following pages set out how the Group has applied the principles and provisions of the UK Corporate Governance Code, published by the FRC in April 2016 (the 'Code'), as amended. The Group complied with all sections of the Code throughout the year and to the date of this report.

A. Leadership

A.1 The Role of the Board

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

In addition, the Board has agreed Terms of Reference for its other formal Committees in order to facilitate more efficient working practices and these include an Executive led Senior Executive Committee ('SEC'), the Investment Committee, a Minority Interest 'Tracker Shares' Steering Committee, a Routine Business Committee, a Disclosure Committee, Risk & Compliance Committee, Innovation Committee, Commissioning Committee, Finance & Corporate Services Committee, and CSR Committee, all of which provide a clear framework of delegated authorities. All Terms of Reference (available at www.sthree.com) are reviewed periodically and Board Committees are aligned, as appropriate, with the UK Corporate Governance Code and take into account ICSA best practice guidelines.

A.1.1 The Board is responsible to shareholders for the proper management of the Group and has identified key financial and operational areas that require regular reporting and which enable the performance of senior management to be reviewed and monitored. These are set out in a schedule of matters reserved to the Board, which is reviewed on a regular basis. The schedule outlines all matters requiring specific consent of the Board, which include, inter-alia, the approval of Group strategy, operating plans and annual budget, the Annual Report, the Interim Report and trading updates, major divestments and capital expenditure, meaningful acquisitions and disposals, the recommendation of dividends and the approval of treasury, tax and risk management policies.

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

A.1.2 The Directors of the Company, including biographies, are set out in the Board of Directors section of this Annual Report, with further details of Board Committee membership being set out later in this report. The number of, and attendance at, Board and Committee meetings during the year, are also shown in a table later in this report. All meetings were well attended and, outside these, there was frequent contact between Directors on a range of matters.

A.1.3 Appropriate insurance cover was in place during the year and continues as at the date of this report, in respect of possible legal action against the Directors.

A.2 Division of Responsibilities

A.2.1 There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, set out in writing and approved by the Board so that no one individual has unfettered powers of decision.

A.3 The Chairman

The Chairman leads the Board in the determination of its strategy and achieving its objectives and is responsible for co-ordinating the business of the Board, ensuring its effectiveness, timing and setting its agenda, although he has no involvement in the day-to-day running of the Group's business.

The Chairman allows adequate debate by all, whilst facilitating an effective contribution of the Non Executive Directors ('NEDs'), overseeing Board induction and evaluation, ensuring constructive relations between each Executive and NEDs and that the Directors receive accurate, timely and clear information to undertake Board affairs and facilitate effective communication with shareholders. The Chief Executive Officer has direct charge of the Group on a day-to-day basis and overall responsibility to the Board for the operational and financial performance of the Group, under a job description which clearly sets out these responsibilities.

A.3.1 As stated below, on appointment to the Board, the Chairman met the independence criteria set out under the Code, in terms of having no previous connection with the Company.

A.4 NEDs

A.4.1 In April 2018, at the Annual General Meeting, James Bilefield succeeded Clay Brendish as the Chairman. Shortly following this appointment, James invited major investors to meet with him and subsequently met a number of them. He continues to be available to shareholders to discuss strategy or governance issues or should there be matters of concern that have not, or cannot, be addressed through normal channels. Denise Collis was appointed Senior Independent Director (`SID') on 1 October 2018, after a review of external and internal candidates, including via an external third party.

A.4.2 The Chairman normally meet with the NEDs without the Executive Directors being present, either before or after each Board meeting and this is formally noted, whilst the SID holds, at least annually, discussions with the other NEDs without the Chairman being present and also with the Executives, in order to appraise the Chairman's performance.

A.4.3 Each Director ensures that if he/she has any concerns which cannot be resolved, about the Company or a proposed action, such concerns are recorded in the minutes, whilst upon resignation, NEDs may provide a written statement to the Chairman for circulation to the Board, of any concerns.

B. Effectiveness

B.1 Composition of the Board

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

B.1.1 Excluding the Chairman, the other NEDs have been determined by the Board throughout the year as being independent in character and judgment with no relationships or circumstances which are likely to affect, or could appear to affect, each Director's judgment.

B.1.2 The Board has a Non-Executive Chairman, who is not classed as independent because of his position but who met the independence criteria set out in the Code on appointment. At least half the Board, comprise of NEDs determined by the Board to be independent, as set out in the Code.

B.2 Appointment to the Board

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

B.2.1/2 Under the direction of the Nomination Committee, each formal selection process is conducted, using external advisors, consisting of a series of interview stages, involving Directors and other Senior Executives, against the background of a specific role definition and objective criteria. Details of the composition, work and responsibilities of this Committee are set out under the relevant section later in this report.

B.2.3 All Directors are subject to annual re-election, although NEDs are typically expected to serve for an initial term of three years, which, in normal circumstances and subject to satisfactory performance/re-election at each AGM, is automatically extended annually. NEDs will normally serve no longer than nine years, subject to review as part of the AGM re-election process and their agreement. The Company's Articles of Association also contain provisions regarding the removal, appointment, election/re-election of Directors.

B.3 Commitment

B.3.1 For Board vacancies, the Nomination Committee approves a detailed job specification, which sets out the indicative time commitment expected. Potential Director candidates are required to disclose any significant outside commitments prior to appointment and must undertake that they have sufficient time to meet these, in addition to Company business, particularly in the event of unforeseen events.

B.3.2 Upon joining, each NED receives a formal appointment letter which identifies their responsibilities and expected minimum time commitment, which is typically two to three days a month. These letters are available for inspection at the Company's registered office.

B.4 Development
At scheduled Board and Committee meetings, Directors receive detailed reports/presentations from management on the performance of the Group or specific areas of focus/responsibility. NEDs may visit the Group's sales or other offices in order to join senior management from different geographic areas to discuss current initiatives. Directors are aware of their responsibilities and briefed on relevant regulatory, legal, governance or accounting matters periodically, as required. Directors also attend external seminars on areas of relevance to their role in order to facilitate their professional development. These measures help to ensure that the Board continues to develop its knowledge of the Group's business and get to know senior management, as well as promoting awareness of responsibilities. Executive Directors are encouraged to accept external appointments in order to broaden their experience, although currently no such positions are held.

B.4.1 Induction arrangements are tailored for new appointments to ensure that these are appropriate to each role, dependent on previous experience. Directors and other Senior Executives are invited to attend analysts' briefings and Capital Markets Days' presentations, and major shareholders are invited to meet new NEDs.

B.4.2 As part of the annual Board evaluation process, the Chairman assesses any training and development needs in respect of individual Directors, including on environmental, social and governance ('ESG') matters.

B.5 Information and Support
Board and Committee meeting papers are circulated well in advance of the relevant meeting and where a Director is unable to attend he/she is provided with a copy of the papers and has the opportunity to comment on the matters under discussion. Minutes of all Committee meetings are circulated to all the Directors, irrespective of Committee membership. The Group Company Secretary helps to ensure information flows between the Board/Committees and senior individuals/NEDs, and appropriately advises the Board, on governance matters.

B.5.1 Directors are entitled to obtain independent professional advice, at the Company's expense, on the performance of their duties as Directors. All Committees are serviced by the Group Company Secretary's team and are appropriately resourced.

B.5.2 Directors have access to the advice and services of the Group Company Secretary, who is responsible to the Board for ensuring that its procedures are complied with and to assist in arranging any additional information as required. The appointment and removal of the Group Company Secretary is a matter reserved for the Board as a whole and the last appointment was made in October 2006.

B.6 Board Evaluation
B.6.1/2 As recommended by the Code, an external Board/Committee evaluation was undertaken during the period under review. This took the form of questionnaires combined with individual interviews conducted by Lintstock Ltd. The key focus areas resulting from this exercise are summarised below, were discussed at the Board meeting in January 2019 and are being implemented in 2019. Prior to this, the previous external evaluation was completed in 2015.

Focus area	Comment
Board Composition	Transitioning to a new Chief Executive Officer/optimal Executive composition
Stakeholder Oversight	Scope to further develop engaging with the investor community/customer focus/better define Employee NED role/evolving the culture/communication of corporate purpose
Board Dynamics	Balance input of NEDs/Chair views
Management of Meetings	Refine key strategic issues/rolling cycle of topics
Board Support	Succinct papers, clear on their purpose, timely submission
Focus of Meetings	Balance between urgency and practicalities
Strategy Day	Engagement and collaboration beforehand/external support
Wider Strategic Oversight	Plans to achieve company's objectives more closely defined/regular cycle of strategic topics/robust foundation of data/analysis to inform strategic planning/challenges around the operational systems/infrastructure/insight into the performance of competitors
Risk Management and Internal Control	Periodic deep dives into specific risks/appetite for risk/IT infrastructure
Succession Planning and HR Management	Succession planning for top management/recruiting externally at senior level/integration of external hires/HR priorities: i) talent acquisition, ii) purpose and culture, iii) reducing churn, iv) remuneration, and v) building capacity
Priorities for Change	i) improving strategic planning, ii) improving meetings' focus, iii) developing culture and purpose, iv) systems and infrastructure, and v) management capacity and implementation

As part of this process, the Chairman also discusses the individual performance of Directors, in consultation with other Directors. The evaluation process is considered to be both formal and rigorous and has led to the conclusion that, overall and individually, the performance of the Board, each Committee and each Director was and is effective and that Directors demonstrate full commitment in their respective roles.

B.6.3 The SID holds annual discussions with the other NEDs without the Chairman being present and also with the Executives, in order to appraise the Chairman's performance.

B.7 Re-election
B.7.1 Although the Company's Articles of Association permit Directors to remain in office for up to three years before Annual General Meeting ('AGM') re-election, all Directors now retire and seek re-election annually, as recommended by the Code.

B.7.2 Reference to performance and commitment of Directors, as well as an explanation of the reason why each retiring Director should be re-elected, are all provided in the Notice of AGM. The Company also complies fully with the Code in respect of its AGM voting arrangements and disclosure of the voting outcome via the London Stock Exchange.

C. Accountability

C.1 Financial & Business Reporting
The Strategy section, Chairman's, Chief Executive Officer's and other Officers' sections of this Annual Report, taken together, provide information relating to the Group's activities, its business and strategy and principal risks and uncertainties faced by the business, including analysis using financial and other KPIs where necessary. These, together with the Directors' Remuneration Report, Directors' Report, Governance Report, Resources and Relationships Report, Audit Committee Report and Nomination Committee Report, provide an overview of the Group, including environmental and employee matters, and give an indication of future developments of the Group's business. This provides a fair, balanced and understandable assessment of the Group's position and prospects, in accordance with the Code.

C.1.1 The Directors' responsibility for preparing the financial statements and the statement by the auditors about their reporting responsibilities are set out in the Directors' Report and Independent Auditors' Report, respectively.

C.1.2 An explanation of the business model and the strategy for delivering the objectives of the Group are included as part of the Strategy section, Chairman's, Chief Executive Officer's and other Officers' sections of this Annual Report.

C.1.3 A 'going concern' statement is set out towards the end of the Governance Report.

C.2 Risk Management, Internal Control and Viability
C.2.1/2 The Board's statement regarding its review of the effectiveness of the Group's risk management, internal control systems and viability statement is set out later in this report.

C.3 Audit Committee and Auditors
Details of the composition, work and responsibilities of this Committee are set out in the Audit Committee Report.

D. Remuneration

D.1 Level and Components
The Directors' Remuneration Report sets out in full, the policies and practices, which demonstrate the Company's implementation of this Code principle and provisions.

D.2 Procedure
Details of the composition, work and responsibilities of the Remuneration Committee are set out under the relevant section later in this report and in the Directors' Remuneration Report.

E. Relations with Shareholders

E.1 Dialogue with Shareholders
Communications with shareholders are given a high priority, as a part of a comprehensive investor relations programme. The Company produces Annual and Interim Reports for shareholders and the Company's website contains up-to-date information on the Group's activities, investor presentations and published financial results. Shareholders can also subscribe for email alerts of important announcements made. There are regular meetings with institutional shareholders and analysts, whilst ensuring that price sensitive information is released at the same time to all, in accordance with the requirements of the UK Listing Authority. Presentations are made after the Company has published its full and half yearly results and there was also dialogue on specific issues, which have included the tracker share model, LTIP, governance and remuneration matters and recruitment of SID/Chairman. In between trading updates, there is continued dialogue with the investor community by meeting key investor representatives, holding investor roadshows and participating in conferences. Feedback from meetings held between senior management and institutional shareholders is reported to the Board. Meetings between management and debt providers, principally the Company's banks, also take place periodically.

E.1.1 The Chairman, SID and other NEDs are available to discuss governance or strategy issues, should there be matters of concern that have not been, or cannot be, addressed through the Executive Directors. During the year, both the Chairman and SID were available to converse with shareholders, with the Chairman hosting a governance lunch. Appropriate feedback was provided to the Board.

E.1.2 Views of analysts, brokers and institutional investors are sought on a non-attributed basis via periodic sentiment surveys and these, as well as regular analyst and broker publications, are circulated to all Directors to ensure that they develop a full understanding of the views of major shareholders. Any issues or concerns are raised and discussed at the Board, and Directors routinely receive regular reports on share price, trading activity and sector updates.

E.2 Constructive use of AGM
The Board views the AGM as an opportunity to communicate with private and institutional investors and welcomes active participation. Alternative options, such as holding a virtual AGM may be considered in the future.

E.2.1 The Company proposes a separate resolution on each substantially separate issue and the proxy appointment forms for each resolution provide shareholders with the option to direct their proxy to vote either for or against any resolution or to withhold their vote.

E.2.2 The Company's registrars ensure that all valid proxy appointments received for the AGM are properly recorded and counted and a schedule of proxy votes cast is made available to shareholders attending the meeting. There is also full disclosure of the voting outcome via the London Stock Exchange and on the Company's website as soon as practicable after the AGM.

E.2.3 All Board members are encouraged to attend the AGM and the Chairs of the Audit, Nomination and Remuneration Committees are available to answer questions.

E.2.4 The Notice of AGM is posted at least 20 working days prior to the date of the meeting and the Company's website contains copies of all Notices issued.

Board and Committee Composition and Attendance (In accordance with A.1.2 of the Code)

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

In addition to the scheduled Board meetings held during the year, the Board met for a separate strategy session and for the AGM. The number of scheduled Board/Committee meetings held and attendance at each is set out in the table below.

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

Directors	Board (8 meetings)	Audit Committee (4 meetings)	Remuneration Committee (3 meetings)	Nomination Committee (2 meetings)
Gary Elden	7	3	3	1
Alex Smith	8	4	3	–
Justin Hughes	7	2	–	–
James Bilefield	8	4	3	2
Denise Collis	8	3	3	1
Anne Fahy	8	4	2	2
Barrie Brien	8	4	3	2
Clay Brendish	2	–	–	–

1. The table also shows meetings attended as a non member.
2. Denise Collis was appointed to the Audit Committee during the year and so did not attend the January meeting, whilst for the Nomination Committee was precluded from attending one meeting as the business related to her appointment as Employee Engagement NED.
3. Anne Fahy was appointed to the Remuneration Committee during the year and so did not attend the January meeting.

Effectiveness of the Group's Risk Management and Internal Control Systems (In accordance with C.2.1 and C.2.2 of the Code)

Risk management and Internal Control Systems and Identification of Principal Risks, Including Environmental, Social & Governance ('ESG') Matters.

The Board has overall responsibility for monitoring the effectiveness of the Group's risk management and internal control systems in order to safeguard shareholders' investments and the Group's assets and, at least annually, to carry out a robust assessment of risks and the effectiveness of associated controls. This monitoring and review process includes assessing all material risks and controls, including financial, operational and compliance controls.

Executive Directors and senior management are responsible for the implementation and maintenance of the underlying control systems, subject to such review. The Audit Committee works closely with the Board in this area and, on behalf of the Board, has identified no significant failings or weaknesses from its review. The Group's Internal Audit function also provides additional assurance on underlying control systems.

Processes are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives and accordingly provide reasonable, not absolute, assurance against material misstatement or loss. The Board considers, in assessing what constitutes reasonable accuracy, the materiality of financial and non financial risks and the relationship between the cost or benefit, resulting from such systems. In order to manage the business effectively, the Board assesses actual results compared with budgeted and forecast performance, as well as against other KPIs, on an ongoing basis. The process includes risks and opportunities to enhance the value arising from ESG matters where relevant. The process is consistent with the FRC's latest guidance on Internal Control and has been in operation for the period under review and up to the date of approval of this Annual Report.

Assessment of Risk and Enterprise Risk Management ('ERM') Framework

ERM Framework

The Board, supported by the Audit Committee, has overall responsibility for risk management activities and implementing policies to ensure that all risks are evaluated, measured and kept under review by way of appropriate KPIs and this forms the basis for the Group's ERM framework.

Under this framework, all Executive, Regional and Country Directors, key support functions and other relevant parties take ownership of their related risks, creating specific sub-Group risk registers, with risks being categorised according to probability and impact, and measured according to strictly defined criteria, as set out under the Board approved risk management policy. More significant risks are distilled to form the Group's key risk register, which is regularly reviewed by the Board.

ERM Processes
As part of these processes, regular strategy and risk workshops are held, bringing together Executive Directors, Regional and Country Directors and key function heads, with ERM specialists in attendance, underpinned as follows:

- Senior Directors own localised risk registers, with regular presentations made to the Board which include progress on risk mitigation;
- Board or Audit Committee meetings may include presentations by Regional/Country Directors, etc., on their approach to business risk management and tracking of improvement areas. To further assist this, a Risk & Compliance Committee was created in 2018;
- A Board approved risk management policy and procedures are in place, communicated Group-wide;
- Group risk appetite statements reviewed, with strategic and localised measures being agreed, monitored via appropriate KPIs, with bonus also being subject to specific risk or compliance targets, where relevant;
- Job descriptions include reference to risk responsibilities.

In light of the increasing FRC focus on risk monitoring, reporting and viability and in order to enable the Board to satisfy itself on the robustness of the Group's internal control and risk evaluation/monitoring processes, the Board has previously engaged external risk specialists to review its processes, including risk appetite setting and reporting. In late 2018, a further evaluation of business risk processes was commissioned, which will be undertaken by KPMG in H1 2019.

As part of this work, a detailed analysis of risk appetite was undertaken, using key operational parameters to set and measure the Group's risk profile. This work is revisited periodically at Audit/Board meetings as well as an annual risk workshop, to monitor both the actual and forecast position against these parameters.

As a result, the Board is able to sign off with confidence that these processes are robust, as required by the Code.

ERM Arrangements
The Group's ERM arrangements have been designed to meet, as closely as possible, the appropriate BSI standard (BS 31000) on risk management processes.

Consequently, the Group has continued to reap the benefits of its enhanced ERM framework through improved strategic and individual region/sector focus on key risk areas, with greater clarity on risk ownership, and the identification of opportunities as well as threats, whilst also facilitating better monitoring of progress, mitigation measures and ensuring appropriate forward looking assessment, including, where relevant, ESG matters (for example, environmental impacts, social issues such as how the Group manages relationships with its employees, suppliers, customers and the communities in which it operates, and governance issues such as the Company's leadership, executive pay, audits, internal controls and shareholder rights).

Investment Association ('IA') Guidelines on Responsible Investment Disclosures
In respect of the Company's compliance with the IA guidelines on responsible investment disclosures, the Board confirms the following, in relation to its responsibilities, policies and procedures, with appropriate KPIs detailed within the Strategy section:

- As part of its ERM procedures, the Board takes into account any material ESG matters. Adherence to these procedures and disclosure of relevant issues is monitored by the Internal Audit function and also reviewed by external risk specialists, as part of the overall risk management framework.
- The Board has received adequate information to make this assessment by way of its ERM procedures and, where necessary, has taken account of ESG matters in training and bonus structures.
- The Board has ensured that the Company has in place effective systems for managing and mitigating principal risks. Where relevant, these incorporate performance management systems and appropriate remuneration incentives.
- There are no ESG-related risks or opportunities that may significantly affect the Company's short- and long-term value or the future of the business.

Going Concern Statement
The Group's business activities, together with the factors likely to affect its future development, performance, its financial position, cash flows, liquidity position and borrowing facilities are described in the Strategic section of this Annual Report. In addition, the notes to the financial statements include details of the Group's treasury activities, funding arrangements and objectives, policies and procedures for managing various risks, including liquidity, capital management and credit risks.

The Directors have considered the Group's forecasts, including taking account of reasonably possible changes in trading performance, risks and uncertainties and the Group's available banking facilities. Based on this review, and after making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for at least 12 months from the date of this report and for the foreseeable future.

For this reason, the Directors continue to adopt a going concern basis in preparing this Annual Report.

Viability Statement

The Board has assessed the viability of the Company and the Group over a five-year period to 30 November 2023, taking account of the Group's current financial position and the potential impact of the principal risks and mitigation documented in the Strategic section of this Annual Report. The five-year horizon is consistent with presentations to the investor community at the Capital Markets Days and other investor events. Based on this assessment and the various other matters also considered and reviewed by the Board during the year, the Board has a reasonable expectation that the Company and the Group will be able to continue in operation and to meet liabilities as they fall due over the period to 30 November 2023.

In making this assessment, the Board has reviewed a five-year financial forecast, taking into account the Group's strategy, cash flows, dividend cover, debt facilities and other key financial metrics over the period. The key assumptions in the forecast were flexed (individually and in combination) to evaluate the potential impact on the Group's liquidity and debt requirements under various scenarios. These assumptions included sales headcount, gross profit yield per sales consultant, infrastructure and support costs.

In making this statement, it is recognised that not all future events or conditions can be predicted, and future assessments are subject to a level of uncertainty that increases with time. Future outcomes cannot, therefore, be guaranteed or predicted with certainty, particularly within the recruitment sector, where there is limited forward visibility.

This assessment was made taking into account the Company and Group's current position and prospects, its strategy, the agreed risk appetite and the principal risks and mitigation (as detailed in the Strategic section of this Annual Report), all of which could change and impact the future performance of the Company and the Group.

Corporate and Environmental Responsibility

The Board recognises that the Group has a responsibility to act ethically in relation to the physical and social environment in which it operates, and that failure to do so could adversely impact on the Group's long- and short-term value as a result of financial penalty and/or loss of stakeholder support. It takes such responsibilities seriously, paying due regard to international and local laws in all its dealings.

Share Capital and Directors' Powers to Issue or Buy Back Shares

Information on the Company's share capital and Directors' powers to issue or buy back shares is set out within the Directors' Report.

Steve Hornbuckle
Group Company Secretary
25 January 2019

A strong team with the right mix of skills and experience.

Gary Elden
Chief Executive Officer

Appointed:
July 2008

Experience:
Gary Elden OBE, was appointed to the Board in July 2008, having been with the Group since 1990, when he joined Computer Futures. He has held a number of senior positions, including that of founding Managing Director of Huxley Associates.

In his role as Chief Strategy Officer, he had responsibility for the expansion of the Group's international operations and non-ICT disciplines. In June 2012, he was appointed as Deputy Chief Executive Officer and took over from Russell Clements as Chief Executive Officer on 1 January 2013.

Alex Smith
Chief Financial Officer

Appointed:
May 2008

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

Justin Hughes
Chief Operating Officer

Appointed:
June 2012

Experience:
Justin Hughes joined SThree in 1994, as a trainee recruitment consultant at Progressive. Making dynamic progress to Sales Director and ultimately to Managing Director of Progressive. In 2007, he was the strategic driving force behind Progressive's global growth, as well as overseeing the business' diversification into new market sectors, notably Pharmaceuticals, Oil & Gas. An SThree Main Board appointee since June 2012, Justin is currently Chief Operating Officer, charged with driving the sustainable growth of the business through effective operations and customer service. He holds an Honours Degree in Economics and is a graduate of the Senior Executive Program at Columbia University, New York.

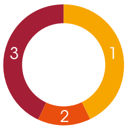
James Bilefield
Chairman

Appointed:
October 2017

Experience:
James Bilefield succeeded Clay Brendish as Chairman in April 2018, having previously been Chairman Designate and Senior Independent Director, from first joining the SThree Board as Non-Executive Director and member of the Remuneration, Audit and Nomination Committee, on 1 October 2017. He joined the Board of Stagecoach Group plc on 1 February 2016, where he currently serves on the Remuneration and Nomination Committees. Other appointments include Cruise.co (Chairman), McKinsey & Company (Senior Advisor), Advent International (Industry Advisor) and Teach First (Trustee).

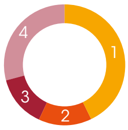
James has spent over 20 years building successful digital and multichannel businesses around the world. As an executive he managed the digital transformation of media group, Condé Nast, across 27 countries, scaled Skype's global operations as part of its founding management team and held senior management roles at Yahoo! during its major growth phase. Formerly CEO of global advertising technology company, OpenX, he also co-founded the UK local information business, UpMyStreet, following an investment banking career at JP Morgan Chase.

Board tenure



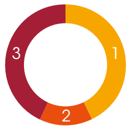
1. 0-3 years 43%
2. 3-5 years 14%
3. 5+ years 43%

Board experience



1. HR/Finance 43%
2. Engineering & technology 14%
3. Media & marketing 14%
4. Sales/Operation 29%

Board breakdown



1. Non-executive 43%
2. Chairman 14%
3. Executive 43%

Anne Fahy
Non Executive Director

Appointed:
October 2015

Experience:
Anne Fahy was appointed to the SThree Board, the Nomination Committee and as Chair of the Audit Committee in October 2015, and the Remuneration Committee on 26 April 2018. Anne is also Non Executive Director and Chair of the Audit Committee at Interserve, the international support services and construction company, Nyrstar, a global multi-metals business, with a market leading position in zinc and lead, and Coats plc, a global industrial thread and consumer textile crafts business. She is also a Trustee of Save the Children. Prior to joining SThree, Anne was Chief Financial Officer of BP's Aviation Fuels business. During her 27 years at BP, Anne gained extensive experience of global business, developing markets, risk management, internal control, compliance and strategy development in BP's aviation, petrochemicals, trading and retail sectors. Anne is a Fellow of the Institute of Chartered Accountants in Ireland, having worked at KPMG in Ireland and Australia prior to joining BP in 1988.

Denise Collis
Non Executive Director,
Senior Independent Director
Appointed:
July 2016

Experience:
Denise Collis was appointed to the SThree Board, Nomination Committee and Remuneration Committee on 1 July 2016, and the Audit Committee on 26 April 2018. Denise was further appointed as Chair of the Remuneration Committee on 1 September 2016 and Senior Independent Director ('SID') on 1 October 2018. Denise is a Non Executive Director and Chair of the Remuneration Committee at Connect Group plc, the specialist distribution company. Other appointments include Chair of the Remuneration Committee and a member of the Advisory Council at the British Heart Foundation; Vice Chair of the International Advisory Board to Leeds University Business School, and a member of the Advisory Board to the University of Exeter Business School. Prior this, Denise was the Group HR Director for 3i Group plc, and most recently Chief People Officer for Bupa. She has extensive international Human Resources and executive committee experience, and has also held senior roles in EY, Standard Chartered plc and HSBC. Denise is a Fellow of the Chartered Institute of Personnel and Development.

With effect from 1 December 2018, Denise Collis was appointed as Employee Engagement NED.

Barrie Brien
Non Executive Director

Appointed:
September 2017

Experience:
Barrie Brien was appointed to the SThree Board, Audit, Nomination and Remuneration Committee on 11 September 2017. Barrie is the former Group Chief Executive of Creston plc (a media and marketing communications group) stepping down in April 2017 following its sale and de-listing. Barrie was also Chief Operating and Financial Officer of Creston plc from 2004 to 2014 and was extensively involved in the growth of the group with its buy and build strategy.

In addition to the extensive public company experience, including M&A, fundraisings and investor relations, Barrie has spent 30 years in global media, digital and marketing communication companies, advised clients across multiple industries and has held senior Board positions in Europe and North America.

Barrie currently sits on a portfolio of public and private Boards as either Non Executive Chair or Director advising on their growth strategies, and is a member of the Professional Business Services Council, advising the Government on key issues facing the UK's service professions.

Steve Hornbuckle
Group Company Secretary

Appointed:
October 2006

Experience:
Steve Hornbuckle joined the Group as Company Secretary in October 2006, taking charge of Investor Relations matters in 2011 and was appointed Legal Director in 2013. Steve has significant company secretarial experience, having held senior positions within a variety of listed companies, including Intertek Group plc, BPB plc, Kidde plc, Railtrack Group plc, London & Manchester Group plc and English China Clays plc. Steve is a Fellow of the Institute of Chartered Secretaries ('ICSA') and sits on the ICSA Company Secretaries' Forum and Investor Relations Society Policy Committee.

I am pleased to present to you the Nomination Committee report. The report provides underlying detail on the Committee and its activities during the year.

James Bilefield
Nomination Committee Chair
25 January 2019

Tables showing the Committee meetings held and attended by members, as well as information on the external evaluation undertaken on the Board and its Committees, are set out in the Governance Report.

Committee composition and attendance

	July	Nov
James Bilefield (Chair)	●	●
Barrie Brien	●	●
Denise Collis	●	N/A
Anne Fahy	●	●

N/A – Denise Collis was precluded from attending as business related to her appointment as Employee Engagement NED.

Full biographies are available on page 78-79.

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

James Bilefield became Chair of the Nomination Committee following the retirement of Clay Brendish at the AGM in April 2018.

Summary of Terms of Reference

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

Use of External Search Consultants

The Committee engages external search consultants with respect to both Executive and Non Executive appointments and considers applicants from all backgrounds, as was the case for the most recent SID appointment, plus the appointments of James Bilefield and Barrie Brien in Q4 2017. It is also using external search consultants in relation to the Chief Executive Officer succession, announced in December 2018.

For all roles recruited, the Committee first conducts an evaluation of the balance of skills, knowledge and experience on the Board, before preparing a description of the roles and capabilities required. In each case, there was an extensive interview process, with the successful appointees selected and chosen entirely on merit.

Succession Planning and Diversity

During 2018, the Committee's work was focused on ensuring the continuing development of, and adequate pipeline into, the Executive team, including roles underpinning the Chief Operating Officer and Chief Sales Officer positions, as well longer term Chief Executive Officer and Chief Financial Officer succession. Initiatives are ongoing throughout the Group to ensure that there is an appropriate management pipeline at all levels and YSC Consulting continue to assist with this.

Following the announcement of the UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in July 2018 ('the new Code'), the Nomination Committee recommended the appointment of Denise Collis as the designated NED responsible for employee engagement, to gather views from employees, from 1 December 2018. The Committee also periodically reviews Board composition, to ensure that the new Code provisions regarding diversity, over-boarding, Chair tenure and Remuneration Committee Chair experience are all complied with.

The Committee considers future succession planning for Board or other Senior Executive roles, reviewing leadership, experience and skill needs and bearing in mind the existing balance of skills, knowledge, experience and diversity already on the Board, to ensure appropriateness. In terms of gender and ethnic diversity, we consider that the Board is well balanced.

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

Anne Fahy
Audit Committee Chair
25 January 2019

Committee composition and attendance

	Jan	May	July	Nov
Anne Fahy (Chair)	●	●	●	●
Barrie Brien	●	●	●	●
Denise Collis	N/A	●	●	●
James Bilefield	●	●	●	●

N/A – joined Committee after meeting date.

Full biographies are available on page 78-79.

2018 was another busy year for the Group and the Committee, as it transitioned its support functions to Glasgow with the creation of a new Centre of Excellence ('CoE'). All of this took careful planning, overseen by a steering committee, which I chaired and I am pleased to say that the move has gone extremely well.

In April, we welcomed Denise Collis to the Committee, following James Bilefield becoming Group Chairman. Denise is Chair of the Remuneration Committee, having a strong HR background but also significant financial and commercial experience.

We have continued to strengthen the existing governance processes by creating a new role, Head of Compliance & Risk, introducing a Compliance function, supported by a Risk & Compliance Committee, whilst also initiating a wholesale review of the Group's key policies, including an externally led evaluation of the Group's Health & Safety procedures.

This is all part of the Committee's support to the Board to enable it to further embed the Code provisions on risk, control and viability, whilst strengthening the internal control environment by ensuring the independence, effectiveness and quality of both internal and external audit processes, as well as of the Committee itself.

Internal Audit ('IA') continues to play an integral role in the Group's governance and provides regular updates to the Committee, with tracking of remedial action in the case of any control failures. At the start of each year, an annual IA plan is presented for the Committee to agree, after appropriate review and challenge; and IA have also played a key part in helping the new CoE to better understand some of the issues identified and help drive through improvements. This is on top of the improvements made last year with the implementation of a robust action tracking system, which led to better transparency, accountability, quality and timeliness of action close outs.

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

- Revenue recognition;
- Tracker share arrangements;
- Exceptional items: measurement of restructuring costs and classification of exceptional items;
- Impairment of investments carrying value (Company only); and
- Accounting change: IFRS 15 'Revenue from Contracts with Customers'.

All of these were considered in the light of the latest FRC guidance.

During the course of the year, the Committee also considered, amongst other matters, project implementation, technical accounting matters and their appropriate disclosure, treasury matters, as well as fraud and whistleblowing, whilst also supporting the Board in its discussions on cyber, GDPR and other key risk areas, tax planning and policy.

As with last year, it also took the opportunity to review and update its terms of reference and evaluated its performance, which it does annually, in line with best practice, although this year the evaluation was conducted via an external third party, Lintstock Ltd. From this review, the Committee has concluded that it is functioning effectively, with only minor areas identified for enhancement.

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

Information on the Committee meetings held and attended by members is set out in the table in the Governance Report.

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

Committee Membership, including Recent and Relevant Financial, Audit or Sector Experience
Anne Fahy is a Chartered Accountant and has held senior financial positions, most recently at BP, whilst Barrie Brien is also a Chartered Accountant. Denise Collis and James Bilefield are degree educated and have held senior management positions, which include financial responsibility, and the Committee, taken as a whole, is considered to have appropriate services sector experience.

The Committee's Terms of Reference were reviewed and updated during the year. Duties principally comprise as follows:

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

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

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

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

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

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

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

A key focus area for the Committee, again, this year was reviewing the viability statement, to enable Board sign off, particularly in the light of Brexit and growing macro-economic uncertainty globally.

External Auditors

Responsibilities in Relation to External Auditors

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

- Recommended the reappointment of PwC as external auditors, for subsequent ratification of their remuneration and terms of engagement by shareholders;
- Reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Reviewed the policy on the engagement of the external auditors and supply of non-audit services. This policy sets out prohibited and permitted services, a non-audit services fee cap and certain pre approval thresholds.

Appointment, Objectivity and Independence

Following the conclusion of the formal audit tender in early 2017, both the Committee and the external auditors have safeguards in place to ensure that objectivity and independence are maintained. The Committee also considers independence taking into consideration relevant UK professional and regulatory requirements.

The external auditors are required to rotate audit partners responsible for the Group audit every five years and the current lead audit partner was appointed in 2014. Work started in early 2018 to ensure appropriate transition to a new lead partner. Accordingly Chris Burns, following completion of his five-year tenure, will be succeeded in 2019 by Kenny Wilson, with the focus of the audit team's activities moving to Glasgow, consistent with the Group's CoE operations base.

Performance and Tendering

During the year, the Committee reviewed performance and fees and met with the external auditors, PwC, regularly, without management present. Prior to their 2018 reappointment, following a robust tender process, PwC originally replaced BDO as auditor in 2000 and became auditors of the public company in 2005. The Committee considered that factors such as regular audit partner rotation, adoption of enhanced audit techniques, as well as competitive fee structure have all contributed to PwC's satisfactory performance and independence. The Committee therefore considers that the existing relationship has worked well and remains satisfied with PwC's effectiveness.

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

Framework used by the Committee to Assess Effectiveness of the External Audit Process

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

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

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

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

Following the introduction of EU Ethical Standards for Auditors in 2016, the Committee reviewed its policy on non-audit work and has updated it. As such, the policy aligns with regulations to prohibit a number of non-audit services, whilst also meeting APB Ethical Standards and FRC guidance, to clearly set out:

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

Fees paid to External Auditors for Non-Audit Work
Audit fees for the year were £497,000 (£367,000 base fee, plus £130,000 additional audit costs related to the transition of the support function to Glasgow). Prior year fees were £384,000 base fee plus £132,000 audit costs related to the transition of the support function to Glasgow, recognised in 2018. The Committee reviews all non-audit work against policy to ensure it is appropriate and the fees justified. Non-audit fees have decreased compared to prior years, with this year's fees primarily related to the half year agreed upon procedures and India subsidiary liquidation. The fees are set out in the notes to the financial statements.

Significant Accounting Judgements and Estimates in the Financial Statements and Matters Considered in Relation Thereto
Significant areas considered by the Committee in relation to the 2018 Annual Report and financial statements and how these were addressed, include the following:

Revenue Recognition – contract revenue is recognised when the supply of professional services has been rendered. This includes an assessment of professional services received by the client for services provided by Contractors between the date of the last received timesheet and the year end.

Revenue is therefore accrued for Contractors where no timesheet has been received, but the individual is 'live' on the Group's systems, or where a customer has not yet approved a submitted timesheet. Such accruals are removed after three months if no timesheet is received or customer approval obtained. The amount of Contractor revenue that is accrued rather than billed at each period end is significant.

The value of unsubmitted timesheets for each individual contractor is system generated and estimation is principally in respect to the number of hours worked. The number of hours worked is based on the contractual hours and working days for each Contractor and adjusted for expected holidays or other events that could reduce the revenue. However, the revenue is adjusted to reflect actual data from Contractor timesheets received two to three weeks after the year-end and where timesheets are not submitted. Any difference compared to the actual time worked by the Contractor would result in the amount payable to the Contractor and accrued revenue receivable from the client being adjusted in the next financial year.

Each year management quantifies the difference between actual amounts billed and accrued revenue and costs. This covers the month after year end when a large proportion of timesheets are submitted. An adjustment is made for this. Any residual differences following this are quantified and are not material. External and internal auditors have verified procedures around revenue recognition and reported their findings. The estimation method applied, and the assumptions underlying these are considered appropriate by the Committee and continue to be in line with IFRS requirements.

Tracker Share Arrangements – the tracker share arrangements are complex in nature and therefore challenging to disclose in a way that is understandable to the reader whilst continuing to highlight the judgements involved.

In light of this, each year, the Committee re-examines the key areas of judgement in order to be satisfied that these are clearly disclosed. There are significant accounting differences (generally with respect to measurement) when comparing the treatment of an equity settled and a cash settled share based payment scheme. The tracker share scheme gives the Group the choice to settle in either SThree plc shares or cash and therefore the treatment of this scheme in the financial statements as equity settled is judgemental. Given the material quantum of amounts involved, the Committee focused on this significant judgement. In order to satisfy itself that treatment of the scheme as equity settled is appropriate, the Committee verified the practice to date has been to settle tracker shares using SThree plc shares, and sought reconfirmation from the Board that it is the ongoing intention to settle the scheme in this way. This policy is disclosed within the financial statements.

When tracker shares are settled using treasury shares the accounting requires judgement. The Companies Act is not explicit on how the reissue of treasury shares should be accounted for in this scenario. The Committee had previously reviewed legal advice obtained by management in this area which confirms the appropriateness of the treatment adopted within the financial statements, as disclosed further in the notes to the financial statements. There have been no changes to suggest this legal advice is superseded in any way. The Audit Committee also reviewed the disclosure of this judgement in note 1 of the financial statements, and considered it to be appropriate.

Measurement of restructuring costs and classification as exceptional items – As in 2017, certain costs were incurred during the year, which were separately presented as exceptional items and excluded from the Group's alternative earnings measure on the face of the Consolidated Income Statement.

The exceptional items recognised in the year related to costs resulting from the restructuring of the Group's support function to Glasgow. The principal restructuring costs classified as exceptional were redundancy costs, property costs, and professional advisor fees for external consultants engaged to support the execution of central support service restructure.

The classification of these restructuring costs is judgemental and the valuation of the provision requires estimation.

The presentation approach was approved by the Audit Committee in 2017, at which stage the Committee reviewed the criteria and timing of these costs to ensure that the classification as exceptional items was balanced and consistent with the Group's accounting policy set out in note 1 of the Financial Statements internal policy, and external guidance.

These matters were discussed with senior members of the finance team ahead of the year end. The Committee obtained sufficient comfort that the nature of each specific type of restructuring costs incurred during the year remained largely unchanged from 2017. The Committee considered that an appropriate disclosure as exceptional items continues to provide a better understanding of the Group's underlying results and in line with IFRS requirements. Both external and internal audit teams have performed detailed verification procedures on the restructuring costs and related provisions and the external auditors have reported their findings to the Committee.

Impairment of investments carrying value (Company only) – the parent Company holds investments in the UK and overseas subsidiaries, which had a total carrying value of £213.9 million (2017: £206.8 million) at the year end. An annual review is performed to assess whether there is an indication that these investments are impaired. If any such indication exists, the recoverable amount of the investment is estimated, being the higher of an entity's 'fair value, less costs of disposal' and its 'value in use'.

Ahead of the year end, the Committee was briefed by the Chief Financial Officer that following a review of key judgements on the future trading performance of the investments, and key estimates including growth and discount rates, all of which drive the valuation of the recoverable amount, there were no material indicators of impairment. Estimates and judgements applied in the valuation of the investments are considered to be appropriate by the Committee and in line with IFRS requirements. The external audit teams and senior members of the finance team have performed detailed verification procedures on the valuations of the investments and the external auditors have also reported their findings to the Committee.

For comparison, last year the Committee approved of the recognition of an £88.1 million impairment of one of the Company's subsidiaries in the UK. The impairment was anticipated given the downturn in the trading performance of the UK business in prior years.

Accounting change: IFRS 15 'Revenue from Contracts with Customers' – the Audit Committee received technical updates from the Chief Financial Officer on developments in financial reporting and accounting policy, including IFRS 15 'Revenues from Contracts with Customers' ('IFRS 15').

The Committee considered and approved management's recommendation that a change is made to the way the Contract accrual income is estimated under IFRS 15. This is based on the new requirement under IFRS 15 to constrain a recognition of variable consideration of revenue until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Management's paper set out a quantitative impact analysis and the assumptions that will underpin the new methodology of estimating Contract accrued income. The Committee considered them appropriate and in line with the new requirements of IFRS 15. The external audit teams have performed detailed verification procedures of supporting financial models and impact disclosures in 2018 financial statements, and reported their findings to the Committee. The results of management's impact analysis are set out in note 1 of the financial statements.

Material Misstatements – management confirmed to the Committee that they were not aware of any material misstatements, management override or fraud and the external auditors confirmed that they had found no evidence of such during the course of their work. After reviewing reports from management and following its discussions with the external auditors, the Committee is satisfied that the financial statements appropriately address critical judgements and key estimates, both in respect of the amounts reported and the disclosures.

Internal Audit ('IA')

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

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

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

For 2018, the programme was again focused on addressing both financial and overall risk management objectives across the Group, with reviews carried out, findings reported to the Committee, recommendations tracked and their close out monitored. This year, the IA function was also heavily involved in reviewing the documentation of the processes and controls to enable a successful CoE transition, as well as assessing the Group's Brexit readiness and associated business impact.

No significant weaknesses were identified from the risk management or internal control reviews undertaken by IA during the reporting period and throughout the financial year. The IA team has continued to enhance the risk management framework and work with managers across the globe to further develop and embed the risk framework and methodology at a local level, whilst also ensuring that the IA plan is closely aligned to risk. Senior management regularly present to the Committee to report back on progress against agreed IA actions and other risks in their area of responsibility. During the year, the Committee received presentations from, and held discussions with, key management and external specialists, including on tax matters, project management and health & safety. Members also attended a risk workshop, where the Group's key risks were discussed, including operational, IT and cyber risks.

The Committee ensures that the Group's IA function remains at an appropriate size and skill mix for the business, and firmly believes that this function remains effective and continues to add significant value. To support this validation, it is planned to conduct an external evaluation of the IA function during 2019.

Risk & Compliance Committee

The R&CC was created in May 2018, with agreed Terms of Reference, a regular reporting slot at each Audit Committee and Risk & Compliance Committee meetings all now well underway, with appropriate support/governance underpinning. Ongoing resourcing requirements are being reviewed into 2019. Feedback from Committee members is that this has been a very positive step forward, resulting in a number of demonstrable improvements, including: Risk role matrix roll-out and move to demarcate sales input in relation to compliance decisions, in order to mitigate high risk issues in the USA; Review of construction/SoW activity in DACH; reporting and investigation of compliance breaches in Benelux/France. There is also more dynamic input into the IA plan, with risks identified and addressed more seamlessly than before.

Fraud

The Committee reviews the procedures for the prevention and detection of fraud in the Group.

Suspected cases of fraud must be reported to senior management and are investigated by IA, with the outcome of any investigation reported to the Committee. During the year, IA investigated one minor fraud incident, with appropriate action taken.

Anti-Bribery and Corruption and Business Ethics

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

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

Whistleblowing Hotline

The Group has in place a dedicated independent whistleblowing hotline, as part of the arrangements set up and is monitored by the Committee, so that employees are able to report any matters of concern, where this does not conflict with local laws or customs (see the Company Information & Corporate Advisors section for details). During the year, the opportunity was taken to broaden the policy in line with best practice, review the hotline provider and refresh communication of the whistleblowing arrangements. During the year, there were seven incidents reported. All issues raised via the hotline during the year, were fully investigated and appropriate action taken.

Committee Evaluation

The Committee conducted an externally led evaluation process (via Lintstock Ltd) which included feedback from management, external auditors, IA, as well as Committee members. From this review, the Committee has concluded that it is functioning effectively, with only minor areas identified for enhancement.

Anne Fahy
Audit Committee Chair
25 January 2019

On behalf of the Board I am pleased to present the Remuneration Committee's annual report on Directors' remuneration for the year ended 30 November 2018.

Denise Collis
Chair of the Remuneration Committee
25 January 2019

Committee composition and attendance

	Jan	Oct	Nov
Denise Collis (Chair)	●	●	●
James Bilefield	●	●	●
Barrie Brien	●	●	●
Anne Fahy	N/A	●	●

N/A – joined Committee after meeting date.

Full biographies are available on page 78-79.

As a Board, we are keenly aware of the sensitivities of the topic of executive pay for companies, employees and shareholders. During the year we have reviewed alignment of our policy to the business strategy, as well as recent changes to the regulatory environment and investor guidance and we are comfortable that the current Directors' remuneration policy (approved by shareholders at the 2017 AGM) remains appropriate for the final year of the three-year policy period. Our review of the policy and its application included a shareholder engagement exercise in October 2018, where our largest shareholders were contacted to provide feedback on our policy and governance approach. We have already incorporated points from this feedback in our target setting processes and have expanded our explanation of this process. We are pleased to say that the views of those shareholders who responded were that the policy and its application remains appropriate and this confirms our view that our pay policy reflects the business strategy, with remuneration payments that are strongly linked to performance.

Summary of Remuneration Policy

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

Remuneration Payable for Performance in 2018

In relation to the annual bonus, despite the uncertain economic environment, the Group delivered a good result for the year, with a strong finish in the final quarter and overall performance that was ahead of our internal plans and market expectations. This was driven by strong growth in Continental Europe, robust growth in the USA, with a continued recovery in Energy and solid growth in Life Sciences. Against the financial targets that were set for the annual bonus, there was strong PBT growth versus the prior year and solid operating profit conversion. The cash conversion achieved was lower than hoped due to the increased rate of growth in our Contract runner book, where more cash has been absorbed into working capital. In addition, the operational challenges associated with the relocation of our support function to Glasgow had a temporary adverse impact on our Days' Sales Outstanding ('DSOs'). Looking at the wider context, good progress was also made on many of our KPIs, including our strategic and personal objectives.

One such key objective was the relocation of our support function to Glasgow, which will deliver significant year on year cost savings, ahead of expectations.

Reflecting this strong overall performance, the average annual bonus paid to the Executive Directors was 73.7% of the maximum.

The 2016 LTIP award was based on our performance over the three financial years to the end of 2018. For the half of the award based on the EPS performance condition, this required adjusted EPS growth to be between RPI +6% and RPI +19% per annum. Actual EPS performance for 2018 was 30.7 pence, equating to growth of RPI +7.0% over the performance period and resulting in 36% vesting of the EPS part of the award. For the remaining half of the award based on our Total Shareholder Return ('TSR') performance, our TSR was required to be between median and upper quartile performance against a peer group. Whilst our TSR was +6.7%, this placed us below median, resulting in zero payout of this part of the award.

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

- The profit performance represents strong year on year improvement in a challenging market.
- Targets for the incentive plans were stretching. For example, despite the increasing uncertainty at the time the targets were set at the start of 2018, the entire target range for PBT was ahead of the prior year figure and ahead of the range set for the prior year bonus.
- This has been a year of significant internal change, with the realignment of the executive team around a new operating model, the creation of the Centre of Excellence in Glasgow and a major reorganisation of the UK business.
- Total pay for the Executive Directors has reduced year on year, despite an overall strong performance.

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

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

Chief Executive Officer succession

On 14 December 2018, we announced that Gary Elden will step down from his role as Chief Executive Officer in early 2019. Gary was given 12 months' notice by the Company and payments to Gary after he steps down will comprise salary, pension and benefits, paid monthly for the duration of the notice period (subject to offset against earnings, excluding a single NED role in a publicly quoted company, elsewhere). Gary will be entitled to be considered for an annual bonus, pro rata for the part of 2019 actively worked. Outstanding LTIP awards will remain subject to performance conditions and scaled back pro rata for the period of employment as a proportion of the three year vesting period. Gary will not receive an LTIP grant in 2019.

Policy Implementation for 2019

The Committee has awarded all continuing Executive Directors salary increases of 2.5%, which is in line with the average increase for employees generally.

As this is the final year of the three-year policy period, the Committee decided not to consult with shareholders in making any substantive changes at this time. The annual bonus opportunity will therefore remain capped at 120% of base salary, with deferral in shares for any bonus earned above 100% of salary. The mix of measures will remain unchanged, with 65% financial, 25% shared strategic and 10% based on personal objectives. Relevant and objective measures have been set for the shared strategic and personal elements, with commensurate stretching targets.

There will be full retrospective disclosure of target ranges and performance for the bonus in the following Annual Report on Remuneration.

The LTIP will continue to be based on SThree's performance over three years and subject to a two-year holding period post-vesting. For 2019, the grant level will be unchanged at 150% of base salary.

As explained last year, the Committee previously reviewed the performance measures for the LTIP and decided to rebalance these to give a higher weighting on the three-year EPS targets and a reduced weighting on the strategic element. This allowed a greater focus on the financial metrics, as well as more simplicity and was aligned to feedback received from shareholders. Accordingly, it is again proposed that the weighting should be 50% EPS, 30% TSR and 20% strategic.

The Committee has given very careful consideration to the setting of targets for 2019, looking to balance the forward momentum from a strong performance in 2018 with the increasingly uncertain macro-economic and political conditions. For the annual bonus, the financial target ranges are set at a level which is above the prior year outturn and contain significant stretch. Similarly, for the 2019-21 LTIP award, the EPS range requires significant growth from the strong 2018 outturn in order for awards to reach threshold, with a very high level of stretch required in order to achieve full vesting. Furthermore, the Committee retains discretion to ensure that annual bonus payments and vested awards under the LTIP can be scaled back if the formula driven outturn does not reflect the broader overall performance of the business. Full details of the annual bonus measures and the measures and targets for the 2019-21 LTIP awards are set out in the Annual Report on Remuneration.

Changes to Committee composition

In April 2018, Anne Fahy joined the Committee. Anne also serves on the Audit and Nomination Committees.

Shareholder engagement and response to UK Corporate Governance Code changes and new reporting requirements for Directors' pay

The Committee values the opinions of its shareholders and other stakeholders and took their views into account in designing the remuneration policy and also in assessing its application for 2019. We will consult investors again regarding our new policy, during the year.

We will also gather broader stakeholder input, as required by the UK Corporate Governance Code reforms announced by the Financial Reporting Council in July 2018. To this end, the Board has already taken steps towards further improving its engagement with employees, by my appointment on 1 December 2018 as the designated NED responsible for employee engagement. In this role, I will be responsible for gathering employees' views and ensuring that they are fully considered at Board level.

In addition, the Committee has already taken proactive action to ensure that it is well placed to comply with the new Code requirements, as follows:

- Enhanced role of Remuneration Committee – our Committee Terms of Reference now include a widened remit of setting senior management pay and oversight of remuneration and workforce policies and practices;
- Remuneration principles, structures and discretion – when setting policy, the Remuneration Committee already considers clarity, simplicity, risk, predictability, proportionality and culture;
- LTIPs have a minimum five-year vesting/holding period and we will be reviewing our policy on post-employment shareholding requirements as part of the policy review. Discretion will be used where necessary to adjust incentive plan payments to take account of wider circumstances and we have amended the incentive plans to enable the Committee to override any formula driven outcome;
- Shareholder views – we routinely seek investor feedback on our governance and remuneration approach and to understand those reward matters that are currently front of mind. We did this again in October 2018, where there were positive comments from those who responded. Through positive proactive engagement we hope to avoid situations where there is a significant vote against any resolution, or where we are only made aware of adverse voting intentions at the last minute;
- Clawback and malus – incentive schemes have been updated to allow recovery of payments in specific additional circumstances such as (i) serious reputational damage and (ii) corporate failure.

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

Chairman and NED fees

The Committee and Board have reviewed the fee levels for the Chairman and NEDs respectively and, after a review of market benchmarks and taking account of the increased time commitment and responsibility, have increased the fee levels modestly.

Conclusion

The Committee appreciates the support received from shareholders to date on its executive remuneration and governance approach. We are required to seek shareholder approval for a new remuneration policy at the 2020 AGM and we will be consulting with investors again in 2019 on this. I look forward to maintaining a constructive ongoing dialogue.

Denise Collis
Chair of the Remuneration Committee
25 January 2019

Remuneration at a Glance

How have we performed?

Bonus – maximum potential 120% of base salary

Metric	Threshold	Maximum	Actual	Achievement %
PBT	£44.5m	£53.3m	£53.4m	100.0%
Operating Conversion Ratio	15.6%	17.2%	16.8%	83.3%
Cash Conversion Ratio	63.0%	77.0%	67.0%	37.1%
Average Shared Strategic Achievement			59.5%	59.5%
Average Personal Achievement			73.3%	73.3%
Average Total Achievement				73.7%

2016 LTIP Award – grant 150% of base salary

Metric	Threshold	Maximum	Actual	Achievement %
EPS (adjusted)			30.7p	
TSR	Median	Upper quartile	24th out of 39	0%

Summary of Total Reward

	Reward Component	CEO	CFO	COO
2018	Base Pay £'000	£453.1	£341.6	£292.1
	Total Remuneration £'000	£1,064.0	£813.1	£665.1
2017	Base Pay £'000	£442.0	£333.3	£330.0
	Total Remuneration £'000	£1,228.8	£940.1	£864.5

* Explanation of any changes can be found in the relevant section within the Annual Report on Remuneration.

Remuneration Policy Summary – no changes proposed for 2019

Key Reward Component	Key features
Base Salary and Core benefits	Salaries increased by 2.5% in line with employees
Annual Bonus – 65% Group Financial Target – 25% Strategic Target – 10% Personal Target	Maximum of 120% of salary, with any achievement above 100% of salary paid in shares vesting in equal tranches over 2 years
LTIP Award – 50% EPS – 30% TSR – 20% Strategic Targets	Maximum award of shares worth 150% of annual salary, performance tested, vesting after 3 years with a further 2 year holding period
Shareholding Requirements	Requirement to hold shares equivalent to 200% of salary

Policy Report

The Group's remuneration policy set out below was approved by shareholders at the AGM held on 20 April 2017 and applies for three years from that date. The remuneration policy is designed to support the strategic business objectives of the Group in order to attract, retain and motivate Directors and senior managers of a high calibre, to deliver sustainable increases in long-term shareholder value.

Element	Purpose and Link to Strategy	Operation	Maximum	Performance Metrics
Executive Directors				
Base Salary	Sufficient to attract, retain and motivate high calibre individuals.	Reviewed annually with any increases taking effect from 1 December.	Increases will normally be the equivalent to the average salary increase for employees, other than in exceptional circumstances.	Not applicable
Benefits	Market competitive benefits package.	Including Car Allowance, Private Medical Insurance, Permanent Health Insurance, Life Assurance and Housing Allowance (if relocated). Other benefits may be introduced to ensure benefits overall are competitive and appropriate for the circumstances.	Cost of insured benefits will vary in line with premiums. Other benefits will be at a level considered appropriate in the circumstances.	Not applicable
Pension	To provide a competitive pension provision.	Individuals may either participate in a pension plan into which the Company contributes or receive a salary supplement in lieu of pension.	15% of base salary.	Not applicable
Annual Bonus	Incentivises high levels of personal and team performance, focused on the key business strategies and financial/ operational measures which will promote the long-term success of the business.	Deferral into shares for achievement over 100% of salary, vesting in equal tranches over two years, subject to continued employment. Dividend equivalent payments accrue on deferred shares, payable in cash or shares. Bonus may be subject to clawback or malus being applied, if appropriate, in the event of financial misstatement, error or misconduct, which has led to an over-payment.	Maximum bonus payment is 120% of annual salary.	Achievement of agreed strategic and financial/operational annual business targets, weighted in line with business priorities. A majority of the performance conditions will be based on financial metrics. Sliding scales are used for each metric wherever practicable with 20% payable for achieving threshold performance. Normally 50% of the maximum bonus is payable for target performance for any financial metric. Within the maximum limit, the Committee may adjust bonus outcomes, based on the application of the bonus formula set at the start of the relevant year, if it considers the quantum to be inconsistent with the Company's overall performance during the year.

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

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

Operation of Incentive Plans

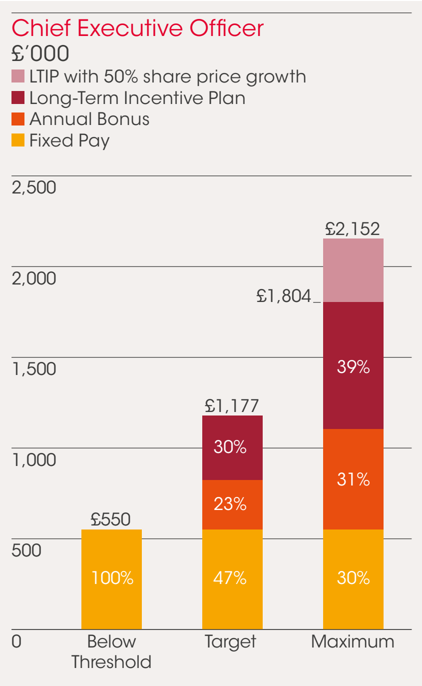
The Committee's policy is to review performance measures for the incentive schemes annually, so that they continually align with strategic objectives. The Committee considers that linking annual bonus and the vesting of LTIP awards to a combination of different measures, capturing share price, financial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

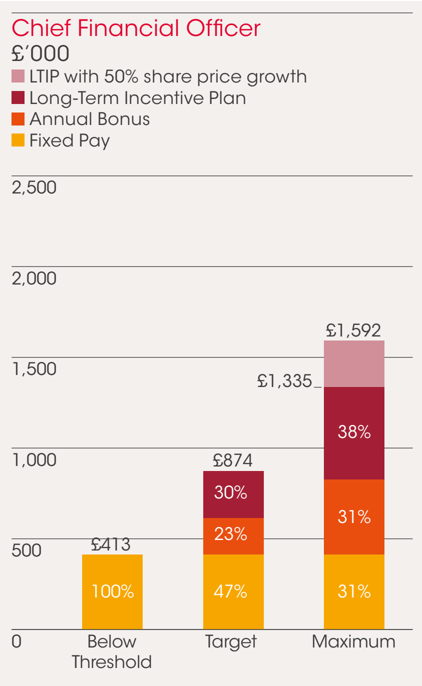
The Committee may exercise discretion in assessing achievement against each stated target where it considers that it would be fair and reasonable to do so. The Committee may also exercise broader discretion in relation to the terms of all incentive plans, for instance (but not limited to) adjustments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

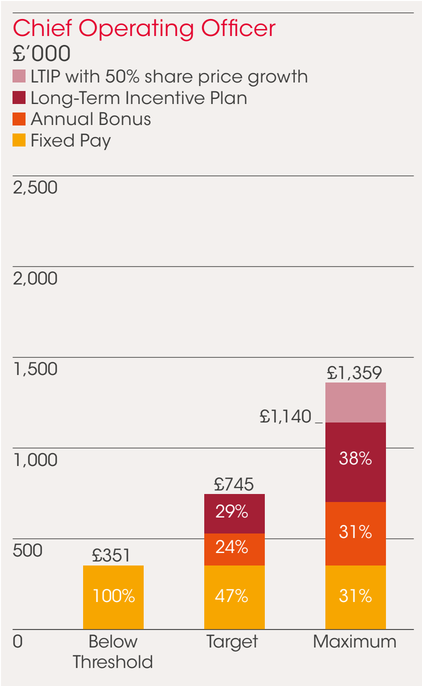
In designing incentive structures and approving incentive payments, the Committee pays due consideration to risk management and environmental, social and governance ('ESG') issues.

Illustration of Potential 2019 Executive Directors' Remuneration

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







Note:
Assumptions for the charts above:
Fixed pay comprises base salary as at 1 December 2018, pension contribution of 15% of salary and the value of benefits received in 2018.

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

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

Differences in Remuneration Policy for Executive Directors Compared to Other Employees

The Committee is made aware of pay structures across the wider group when setting policy for Executive Directors, in particular in relation to any base salary review. Overall the remuneration policy for Executive Directors is weighted more to performance based pay and, in particular, long-term share-based incentives. This is to ensure that the relatively higher pay levels are justifiable internally and externally to shareholders as a clear link between the value created for shareholders and the remuneration received by Executives.

Consideration of Employment Conditions Elsewhere in the Group

When setting the Executive Directors' remuneration policy, the Committee takes into account the pay and conditions of employees more generally. Also, following the Corporate Governance Code reforms announced by the Financial Reporting Council in July 2018, the Board has appointed Denise Collis as designated NED for employee engagement, from 1 December 2018, to gather views from employees and ensure that these are fully considered at Board level.

Consideration of Shareholders' Views in Determining the Remuneration Policy

The Committee actively consults with shareholders on executive remuneration policy changes. Feedback is taken on board and any proposals are adjusted, as appropriate, given the objective of ensuring that shareholders are supportive of the policy and its implementation. In addition, the Company follows shareholder sentiment on reward and gives it due consideration in considering the application of policy in the years between the development of a new policy. The last exercise was undertaken in October 2018, as outlined in the introduction earlier.

Remuneration Policy for Recruitment and Promotion

Base salary levels will be set in line with the policy taking account of individual circumstances. Where it is appropriate to offer a starting salary below the desired position initially, there is flexibility to make increases at a faster rate than other Directors and employees, subject to individual performance and development in the role.

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

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

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

Policy on Directors' Service Contracts and Payments for Loss of Office

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

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

'Good' leavers (e.g. redundancy or retirement) may generally retain any earned bonus or share based awards, on a pro rata basis, subject to still achieving any relevant performance criteria.

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

External Appointments

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

Terms of Appointment and Remuneration Policy for Non Executive Directors ('NEDs')

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

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

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

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

Annual Report on Remuneration

Section 1 – Total Reward for 2018
1.1 Directors' Remuneration for 2018
1.2 Annual Bonus Payable for 2018 Performance
1.3 Shared Strategic Objectives 2018 Performance
1.4 Personal Objectives 2018 Performance
1.5 LTIP awards vested by reference to performance over the three years to 2018

1.1 Directors' Remuneration for 2018 (Audited)

Director	Salary & Fees £'000	Benefits[1] £'000	Annual Bonus £'000	Long Term Incentive Plan[2] £'000	Pension[1] £'000	Total £'000
Gary Elden	453.1	15.8	399.1	128.0	68.0	1,064.0
Alex Smith	341.6	20.3	303.0	97.0	51.2	813.1
Justin Hughes**	292.1	15.1	259.1	55.0	43.8	665.1
Clay Brendish	57.2	–	–	–	–	57.2
Anne Fahy	52.0	–	–	–	–	52.0
Denise Collis	52.0	–	–	–	–	52.0
James Bilefield	104.4	–	–	–	–	104.4
Barrie Brien	45.0	–	–	–	–	45.0
Aggregate Emoluments	1,397.4	51.2	961.2	280.0	163.0	2,852.8

NED fees reflect that, at the AGM in April 2018, Clay Brendish retired as Chairman, being succeeded by James Bilefield, who stepped down as SID. Denise Collis was appointed as SID from 1 October 2018 and as Employee Engagement NED from 1 December 2018.

2017 Director	Salary & Fees £'000	Benefits[1] £'000	Annual Bonus £'000	Long Term Incentive Plan[3] £'000	Pension[1] £'000	Total £'000
Gary Elden	442.0	13.9	404.2	302.4	66.3	1,228.8
Alex Smith	333.3	18.5	305.7	232.6	50.0	940.1
Steve Quinn** (left 30/09/2017)	358.1	298.2	319.9	130.3	53.7	1,160.2
Justin Hughes**	330.0	71.6	222.9	130.3	109.7	864.5
Clay Brendish	140.0	–	–	–	–	140.0
Anne Fahy	47.0	–	–	–	–	47.0
Fiona MacLeod* (left 31/10/2017)	43.5	–	–	–	–	43.5
Nadhim Zahawi* (left 31/10/2017)	37.1	–	–	–	–	37.1
Denise Collis	47.0	–	–	–	–	47.0
James Bilefield* (joined 01/10/2017)	8.1	–	–	–	–	8.1
Barrie Brien* (joined 11/09/2017)	9.9	–	–	–	–	9.9
Aggregate Emoluments	1,796.0	402.2	1,252.7	795.6	279.7	4,526.2

* Pro rated due to appointment or retirement in year.
** 2017 includes payments in local currency of US$ or HK$ hence shown Sterling amounts can fluctuate YoY.

Notes:
1. Benefits comprise car allowance, medical cover and life/income protection insurance, as well as payments to cover housing or other related costs when transferred overseas. Housing or other related costs were nil (2017: £276,073) for Steve Quinn and nil (2017: £69,324) for Justin Hughes. The pension contribution equates to 15% of salary.
2. 2018 LTIP awards relate to those granted in early 2016 and vesting in early 2019, based on performance assessed over 2016–2018, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit value has been calculated using a share price of 286.5p, being the share price on 30 November 2018, the last dealing day of the year. As the market price at grant was 297.0p, none of the value has arisen from the share price increasing.
3. 2017 LTIP awards relate to those granted in early 2015, vested in early 2018, based on performance assessed over 2015–2017, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit value has been calculated using a share price of 343.50p, being the share price on 30 November 2017, the last dealing day of the year. As the market price at grant was 324.0p, some of the value has arisen from the share price increasing.

1.2 Annual Bonus Payable for 2018 Performance

Gary Elden

		Actual performance against target									
Measures	Weighting	Below	Threshold	Target	Max	Threshold	Target	Max	Actual performance	Achievement %	Payout £'000
Group Financial Target											
PBT	29.25%					£44.5m	£48.5m	£53.3m	£53.4m	100.0%	£159.0
Operating Conversion Ratio	19.50%					15.6%	16.0%	17.2%	16.8%	83.3%	£88.3
Cash Conversion Ratio	16.25%					63.0%	70.0%	77.0%	67.0%	37.1%	£32.8
Shared Strategic Objectives											
See Section 1.3	25.0%								14.9%	59.5%	£80.9
Personal Objectives											
See Section 1.4	10.0%								7.0%	70.0%	£38.1
	100.0%									73.4%	£399.1

Alex Smith

		Actual performance against target									
Measures	Weighting	Below	Threshold	Target	Max	Threshold	Target	Max	Actual performance	Achievement %	Payout £'000
Group Financial Target											
PBT	29.25%					£44.5m	£48.5m	£53.3m	£53.4m	100.0%	£119.9
Operating Conversion Ratio	19.50%					15.6%	16.0%	17.2%	16.8%	83.3%	£66.7
Cash Conversion Ratio	16.25%					63.0%	70.0%	77.0%	67.0%	37.1%	£24.7
Shared Strategic Objectives											
See Section 1.3	25.0%								14.9%	59.5%	£61.0
Personal Objectives											
See Section 1.4	10.0%								7.5%	75.0%	£30.7
	100.0%									73.9%	£303.0

Justin Hughes

		Actual performance against target									
Measures	Weighting	Below	Threshold	Target	Max	Threshold	Target	Max	Actual performance	Achievement %	Payout £'000
Group Financial Target											
PBT	29.25%					£44.5m	£48.5m	£53.3m	£53.4m	100.0%	£102.5
Operating Conversion Ratio	19.50%					15.6%	16.0%	17.2%	16.8%	83.3%	£57.0
Cash Conversion Ratio	16.25%					63.0%	70.0%	77.0%	67.0%	37.1%	£21.2
Shared Strategic Objectives											
See Section 1.3	25.0%								14.9%	59.5%	£52.1
Personal Objectives											
See Section 1.4	10.0%								7.5%	75.0%	£26.3
	100.0%									73.9%	£259.1

● Actual achievement against scale.

1.3 Shared Strategic Objectives for 2018 Performance

Strategic Measure & Targets	Assessment of performance by the Committee	Overall result in judgement of the Committee (as % of Maximum opportunity)
Operations		
Deliver project to relocate UK based support services to Glasgow and reduce fixed overheads, providing a base to improve customer experience through process and systems improvement. Achieve £3.5 million in Project EBITDA savings by end of 2018. Execute project with latest view project one-off costs not exceeding £13.7m by end of 2018. Centre of Excellence to deliver to agreed pre-transition performance levels for all KPIs by end of stabilisation period.	Overall, the project has been delivered to, and in a number of instances has significantly exceeded, plan. Key contributors to this have been increased project scope, new roles being recruited under budget and a reduction in dual-running costs. Project savings of £5.5 million were delivered against a target of £3.5 million. Project one-off costs were £11.4 million against a target of £13.7 million. Of the 25 workstreams, 20 have achieved pre-transition service levels.	94%
Permanent Profitability		
Continue building on the work undertaken in 2017 to separate the Permanent and the Contract business, in creating clear governance and structures, and segmenting customers to deliver more efficiently, whilst also using Innovation and new models to further improve profitability. Improve Permanent operating profit by between circa 5% and 30%.	Permanent profitability improved due a combination of operational changes, transfer of work to the Glasgow Resource Centre, and movement of heads to more technology enabled solutions. The result was extremely strong, with more than a 30% increase in Permanent operating profit year on year.	100%
People Engagement		
Continue the focus on improving retention in the 12-24 month cohort which has the highest levels of sales churn (45% 2017, 51% 2016). Deliver a churn improvement of 5-10% year on year.	There was a major underperformance against this target, with the out-turn being significantly below threshold, despite considerable effort being deployed.	0%
Customer Engagement		
Build on the use of NPS, and develop stronger relationships and improved GP derived from Key Accounts and MSP clients who form part of the Top 20 customer base. Growth in the % of total group GP derived from the top 20 clients in 2017 was 10.3%.	Growth achieved of 11.1% against a target of 11.3%.	44%
Total/Average pay out		**59.5%**

1.4 Personal Objectives for 2018 Performance

Personal targets – delivery against agreed objectives as follows:

Director	Personal objective	Assessment of Performance by Committee	Overall result in judgement of the Committee (as % of Maximum opportunity)
Gary Elden	Lead the development and implementation of a new leadership and operating model.	The new model was successfully introduced across all geographies bringing a more integrated and disciplined approach to both operating practices and the visibility, approval and control of new programmes and projects. Compliance with the new way of working has been excellent and is reflected in performance against the key financial metrics.	70%
	Introduce a new governance methodology, lead the Innovation agenda through the Ventures Committee, and deliver on the annual plan for new venture and product initiatives	Benefits have been demonstrated through improved Innovation governance. Pleasing progress has been made, in that three in-house Innovation projects progressed through the testing phase, with two now progressed to minimum viable product stage and expected to generate future revenues.	
Alex Smith	Improve service levels of non UK support operations and develop plan for future Centre of Excellence phases.	New Global operations structure developed and transition plan successfully completed. Good progress on service level improvements.	75%
	Drive greater financial insight into strategic decision making to optimise the Group's portfolio of businesses.	Action plans developed to improve the controllable contribution conversion ratio % ('CC CR%'), leading to fewer low CC CR% teams. Both internal and external data points now being used to guide the business on resource allocation, funding of new ventures and speed of headcount build.	
Justin Hughes	Managing risk globally, creating a structure and processes to effectively manage and reduce it, and deliver year on year improvements.	Successful delivery against key targets, achieving a step change improvement in the management of global risk. This comprised both organisational elements (e.g. new Global Compliance function and redefined operational practices) and specific targeted activity (e.g. mitigation of specific risk issues in US and the devising and rolling out of mitigation plans for Europe/Rest of World).	75%
	Following the review of UK support services, creating a blueprint and design for the rest of the world, with associated timelines.	A detailed blueprint and accompanying future model have been developed and are ready for implementation, following completion of preparatory work in the Glasgow Centre of Excellence.	

1.5 LTIP awards vested by reference to performance over the three years to 2018 (Audited)

Earnings Per Share ('EPS'):

EPS* – Compound annual growth over three years ending 2018	Payout Range	Actual performance	Vesting level
RPI +6% - 14% - 19%	30% - 80% - 100%	RPI +7.0%	36%

* Adjusted, where necessary.

Total Shareholder Return ('TSR'):

TSR – Rank of the Company compared to the peer group	Payout Range	Actual performance	Vesting level
TSR performance between the median and upper quartile	30% - 100%	24th out of 39	Nil

Number of shares Granted vs Vested vs Lapsed based on assessment versus all targets

Executive Director	Number of shares granted	Number of shares vested	Number of shares lapsed	Dividend equivalent additional shares	Total £'000*
Gary Elden, CEO	217,677	39,181	178,496	5,503	128.0
Alex Smith, CFO	164,141	29,545	134,596	4,149	97.0
Justin Hughes, COO	140,404	16,846	123,558	2,366	55.0

* Based on share price of 286.5p on 30 November 2018.

Section 2 – How we will apply our Remuneration Policy in 2019

2.1 Base Salary
2.2 Benefits and Pension
2.3 Annual Bonus
2.4 Long Term Incentive Plan
2.5 Non Executive Directors ('NEDs')

2.1 Base Salary

The table below illustrates the most recent base salary changes (effective for 2019). The average base salary change awarded for employees generally was 2.5-3.0%.

Executive Director	Base Salary 2018 £'000	Increase (from 1 Dec 2018) £'000	Base Salary 2019 £'000
Gary Elden, CEO	453.1	0	453.1
Alex Smith, CFO	341.6	2.5%	350.1
Justin Hughes, COO	292.1	2.5%	299.4

2.2 Benefits and Pension

There are no changes to benefits. The pension contribution equates to 15% of salary. The most common employee pension contribution is circa 3% of salary.

2.3 2019 Annual bonus, including financial, strategic and personal measures

The maximum annual bonus remains capped at 120% of base salary. Any bonus above 100% of salary will be deferred into shares vesting in equal tranches over the next two years. The bonus metrics and weightings for the 2019 annual bonus are summarised in the table below. Where they are considered to be commercially sensitive, the target ranges for each metric will be disclosed retrospectively in the following year's Directors' Remuneration Report.

Metric	Weighting	Measure	Sub-weighting	Link to strategy/notes
Group Financial Targets	65%	**Adjusted Profit Before Tax** Calculated as Gross Profit less administrative expenses, less interest before adjusting items.	29.25%	These are considered by the Committee to be the three most relevant financial KPIs for bonus purposes. **Adjusted Profit before Tax** is the headline measure of our Group profitability, shown on an adjusted basis, to measure underlying financial performance delivered by management.
		Operating Profit Conversion Ratio Calculated by taking the operating profit before exceptional and other adjusting items, stated as a percentage of gross profit.	19.50%	**Operating Profit Conversion Ratio** and **Cash Conversion Ratio** indicate how efficient the business is in terms of controlling costs and improving consultant productivity, turning profit into cash or collecting cash. As such, they are key strategic measures and components of the Group's bonus arrangements. Focusing on these measures also helps protect the Group in less favourable economic conditions. Sliding scales will be set for each metric around a target level.
		Cash Conversion Ratio Calculated as the cash generated from operations for the year after deducting capex, stated as a percentage of operating profit before exceptional and other adjusting items.	16.25%	
Shared Strategic Objectives	25%	Development of a scalable Global Operating Model for SThree's employed contractors ('ECM').	6.25%	Improvements to post sales service to contractors will positively impact NPS scores.
		Optimisation of the portfolio through vertical market mapping.	6.25%	Portfolio optimisation will drive improvements in team investing and decommissioning, operating profit conversion improvements, and is an underpinning initiative of the Capital Markets Day strategy.
		Embedding of the SThree Purpose and Operating Principles.	6.25%	Alignment with Purpose has a direct impact on employee engagement, and productivity. Improved operational performance will impact business KPIs.
		Completion of the stabilisation phase of the Glasgow Centre of Excellence and roll-out of global extension plans.	6.25%	Completion of the stabilisation phase will deliver future planned cost savings, as will global extension.
Personal Objectives	10%		10%	Delivery versus agreed objectives to produce value or efficiency gains.
TOTAL	100%		100%	

2.4 Long Term Incentive Plan awards

The LTIP awards to be granted in early 2019, will be granted over shares worth 150% of salary. Awards will vest on the third anniversary of grant, with a further two year holding period on vested shares. Performance conditions will be based on EPS, TSR and Strategic metrics, each applied independently and there will be a straight-line sliding scale between points. For comparison, LTIP targets are summarised in the following table, for awards made in 2017, 2018 and 2019:

LTIP weighting	EPS	TSR	Strategic	Regional
2017-19	1/3 (COO 25%)	1/3 (COO 25%)	1/3 (COO 25%)	25% (COO only)
2018-20	50%	30%	20%	N/A
2019-21	50%	30%	20%	N/A

LTIP targets	EPS	TSR	Strategic	Regional
2017-19	Between 25p (25% vesting) & 32p (100% vesting)	Between median (25% vesting) & UQ (100% vesting)	Customer, Employee & Relative GP (split equally)	USA: 36%-46% CAGR/ APAC & ME: £1.7m-£3.7m OP improvement (25%-100% vesting)
2018-20	Between 30p (25% vesting) & 41p (100% vesting)	Between median (25% vesting) & UQ (100% vesting)	New product GP between £11m and £17m/OP conversion between 17.3% and 21.1% (split equally)	N/A
2019-21	Between 35.5p (25% vesting) & 46.0p (100% vesting)	Between median (25% vesting) & UQ (100% vesting)	Note 1	N/A

Notes:
1. For the 2019-21 LTIP award, the 20% of the award based on strategic targets will be split between two targets equally, set out as (i) and (ii) below. Where sliding scales operate, 25% of the award will vest at threshold:

(i) Improving the level of churn in the sales teams (10% of LTIP award)
Turnover of staff (churn) in members of the sales team with 12-24 months experience was 49% in 2018. The Board has identified churn reduction as a strategic priority.

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

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

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

	Level of Sales Team Churn in 2021
Threshold (25% vesting)	42%
Maximum	40%

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

	Level of Operating Profit Conversion Ratio in 2021
Threshold (25% vesting)	18%
Maximum	22%

2. Composition of the TSR comparator groups and prior strategic targets for each LTIP award is shown under the table in section 3.1.

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

2.5 Non Executive Directors ('NEDs')

Following a detailed review of fee levels, NED base fees were increased from 1 December 2018, as follows:

Role	2018 annual fee £'000	2019 annual fee £'000
Chair	140	150
NED base fee (x 3 NEDs)	45	48
Committee Chair (Audit and Remuneration)	7	10
SID	7	7.5
Employee Engagement NED	–	5
Total (Articles of Association limit is £500k per annum)	296.0	326.5

Section 3 – Directors' interests in shares and broader context for Directors' pay

3.1 Outstanding share awards held by Directors under LTIP, Deferred bonus and SAYE
3.2 Statement of Directors' shareholdings
3.3 Total Shareholder Return ('TSR') performance of SThree over the last ten year period
3.4 Historic Levels of CEO Remuneration and incentive plan payouts
3.5 Year on year percentage Change in CEO Remuneration compared to employees
3.6 Comparison of CEO remuneration to workforce remuneration by quartiles
3.7 Relative Importance of Spend on Pay

3.1 Outstanding share awards

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

Executive Director	Dates of LTIP Grant/Award	Market Price at Grant/Award	Shares Originally Awarded	Face Value* £	Shares Vested (incl. dividend shares)	Vesting Date	Gain on Exercise £	Remaining Unexercised at 30 Nov 2018 (incl. dividend shares)
Gary Elden	04/02/2014	364.00	165,535	602,547	93,371	04/02/2017	Not Exercised	100,291
	17/02/2015	324.00	190,621	617,612	88,042	17/02/2018	Not Exercised	90,527
	27/01/2016	297.00	217,677	646,501	–	27/01/2019	–	217,677
	26/01/2017	312.00	212,500	663,000	–	26/01/2020	–	212,500
	02/02/2018	357.00	190,366	679,607	–	02/02/2021	–	190,366
Deferred Bonus	22/02/2016	295.00	15,770	46,522	8,230	22/02/2016	28,667.56	–
SAYE	20/09/2016	196.40	9,164	23,116	–	01/12/2019	–	9,164
Alex Smith	11/02/2010	299.40	117,935	353,097	120,832	10/02/2013	Not Exercised	152,784
	01/02/2011	371.30	104,511	388,049	31,483	01/02/2014	Not Exercised	38,165
	17/02/2015	324.00	146,631	475,084	67,725	17/02/2018	228,910.50	–
	27/01/2016	297.00	164,141	487,499	–	27/01/2019	–	164,141
	26/01/2017	312.00	160,216	499,874	–	26/01/2020	–	160,216
	02/02/2018	357.00	143,521	512,370	–	02/02/2021	–	143,521
Deferred Bonus	22/02/2016	295.00	12,131	35,786	6,331	22/02/2016	21,557.05	–
SAYE	20/09/2016	196.40	9,164	23,116	–	01/12/2019	–	9,164
Justin Hughes	01/02/2011	371.30	45,005	167,104	13,557	01/02/2014	Not Exercised	16,435
	08/02/2013	331.50	114,027	378,000	66,347	08/02/2016	Not Exercised	74,373
	04/02/2014	364.00	106,961	389,338	40,222	04/02/2017	Not Exercised	43,203
	17/02/2015	324.00	123,170	399,071	37,926	17/02/2018	131,792.85	–
	27/01/2016	297.00	140,404	417,000	–	27/01/2019	–	140,404
	26/01/2017	312.00	159,519	497,699	–	26/01/2020	–	159,519
	02/02/2018	357.00	122,742	438,189	–	02/02/2021	–	122,742
SAYE	20/09/2017	256.60	7,014	17,998	–	01/12/2020	–	7,014

Notes:

1. The TSR comparator group for the 2019 LTIP awards will be: Adecco, Amadeus Fire, Brunel, Empresaria, Groupe Crit, Harvey Nash, Hays, Impellam, Kelly Services, Kforce, Korn Ferry, ManPower, Gattaca, Page Group, On Assignment, Randstad, Robert Half, Robert Walters and Staffline.

   For the awards in 2018, the group also included Harvey Nash.

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

2. For the 2017 LTIP award, strategic targets were split equally as below. Where sliding scales operate there is 25% vesting at the threshold for payment:

   Customer:

- Revenue generation of between £10m-£15m from new product lines by 2019.
- Broad NPS metric showing improvement of 3%-5% CAGR in years 2-3 from a baseline derived from the first year actual NPS. This differs from the annual bonus NPS metric which is based on specific areas of the business that require focus.

   Employee:
   The Employee metric will be split equally so that for one third, Staff Engagement growth must be 3%-5% CAGR over three years. For one third Sales Churn must be 37%-35% by 2019 (compared to 38% in 2016). For the final one third Sales level 3-4 Diversity & Inclusion gender representation targets must improve over the same period. Level 3 representation to increase from 26% to 30% - 32% and Level 4 representation to increase from 10% to 15% - 20%.

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

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

3.2 Statement of Directors' shareholdings (Audited)

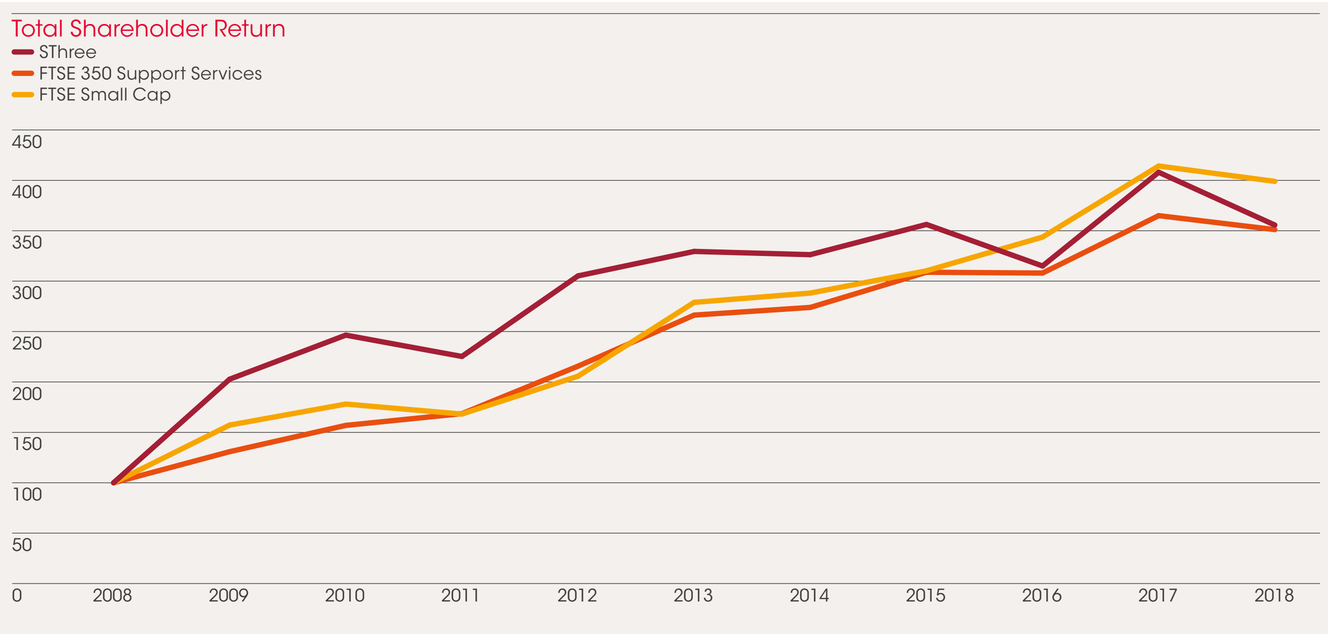
Under the remuneration policy Executive Directors must build and maintain a level of shares equivalent to at least 200% of base salary. Directors' interests in the ordinary share capital of the Company as at the year end, are shown in the Table below, including any changes since the start of the current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

Executive Director	Ordinary Shares Held at 1 December 2017	Ordinary Shares Acquired	Ordinary Shares Disposed	Ordinary Shares Held at 30 November 2018	Indirect Interest	Shareholding Requirement (% of Salary)	Shareholding (% of FY 2018 Salary)
Gary Elden	2,679,403	11,140	513,868	2,176,675	820,525	200%	948%
Alex Smith	315,462	36,935	2,976	349,421	667,991	200%	427%
Justin Hughes	129,019	68,669	–	197,688	563,600	200%	373%
Clay Brendish	38,300	–	–	38,300*			
James Bilefield	10,000	–	–	10,000			
Anne Fahy	4,000	–	–	4,000			
Denise Collis	5,000	–	–	5,000			
Barrie Brien	–	–	–	–			

* At date of stepping down from the Board.

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

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



3.4 Historical Levels of CEO Remuneration and incentive plan payouts

The Table below shows historical levels of Chief Executive Officer total remuneration over a ten-year period, as well as annual bonus and LTIP vesting percentages over the same period. The Group has delivered a CAGR TSR of just over 13% over this ten-year period.

Year	CEO	CEO Total Remuneration £'000	Annual Bonus (% of Maximum)	LTIP Awards Vesting (% of Maximum)
2018	Gary Elden	1,064.0	73.4%	18.8%
2017	Gary Elden	1,228.9	76.2%	41.0%
2016	Gary Elden	1,058.5	56.4%	50.0%
2015	Gary Elden	1,284.9	92.8%	50.0%
2014	Gary Elden	852.2	54.6%	18.5%
2013	Gary Elden	752.8	44.3%	25.5%
2012	Russell Clements	1,295.0	77.4%	88.0%
2011	Russell Clements	1,264.9	56.0%	100.0%
2010	Russell Clements	1,284.2	94.4%	100.0%
2009	Russell Clements	616.1	41.7%	44.0%

3.5 Year on year percentage Change in Chief Executive Officer Remuneration compared to employees

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

	Percentage Change 2017-2018	
Remuneration Element	Chief Executive Officer	Average for all Employees
Salary & Fees	2.5%	1.0%
Other Benefits*	4.5%	(16.0%)
Annual Bonus	(1.3%)	(9.0%)

* Includes salary supplement in lieu of pension, also reflects reducing car allowances for employees.

3.6 Comparison of Chief Executive Officer remuneration to workforce remuneration by quartiles

The Committee has decided to use Option B in the relevant regulations to calculate the Chief Executive Officer pay ratio, using 2018 gender pay gap information to identify the three UK employees as the best equivalents of P25, P50 and P75, calculated based on full-time equivalent base pay data as at April 2018. This methodology was selected as the Committee believes this provides a more accurate and consistent calculation based on the information available at this time. The Committee will monitor investor guidance and evolving best practice which may move in favour of using Option A to calculate the ratios and will review its approach next year (restating any prior year figures, as appropriate).

The following Table sets out the Chief Executive Officer pay ratio at the median, 25th and 75th percentile.

Financial Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2018	Option B	39:1	24:1	20:1

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

3.7 Relative Importance of Spend on all employees' Pay compared to dividend payments

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

Item	2018	2017	Change
Dividends	£18.0m	£18.0m	0%
Remuneration paid to Employees (incl. Directors)	£206.7m	£187.4m	10%*

* The change reflects an additional 8% investment in headcount YoY, with a 10% increase in total costs (ie salaries, commission and bonuses), in line with the YoY increase in GP.

Section 4 – Governance

4.1 The Committee and its Advisors

The Committee's Terms of Reference (available at www.sthree.com) are reviewed periodically to align as closely as possible with the UK Corporate Governance Code ('Code') and ICSA best practice guidelines. During the year, the Committee comprised only independent NEDs, being Denise Collis, Chair, James Bilefield, Barrie Brien and, from April 2018, Anne Fahy. The Committee therefore meets Code requirements to comprise at least three independent NEDs.

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

The Committee appointed Korn Ferry as its independent remuneration advisor in 2016, following a comprehensive review. Fees paid to Korn Ferry for advice in relation to remuneration matters during the year were £35,742 (2017: £55,225), both excluding VAT. Korn Ferry are members of the Remuneration Consultants Group ('RCG') and comply with the RCG Code of Conduct. The Committee are satisfied that their advice was and is objective and independent.

4.2 Statements of Voting at most recent AGMs

At the AGMs held on 26 April 2018 and 20 April 2017, the following votes were cast in relation to the advisory and binding votes on the Annual Report on Remuneration and Remuneration Policy, respectively.

Resolution	For	%	Against	%	Withheld
Directors' Remuneration Report (2018 AGM)	71,374,901	95.90%	3,055,182	4.10%	6,509,260
Directors' Remuneration Policy (2017 AGM)	89,014,652	95.40%	4,288,168	4.60%	106

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

4.3 Approval

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

Denise Collis
Chair of the Remuneration Committee
25 January 2019

The Directors present their Annual Report on the activities of the Company and the Group, together with the financial statements for the year ended 30 November 2018.

The Board confirms that these, taken as a whole, are fair, balanced and understandable and that the narrative sections of the report are consistent with the financial statements and accurately reflect the Group's strategy, performance and financial position. The Governance Report is presented separately and does not form part of the Directors' Report.

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

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

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

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

Results, Dividends, Going Concern and Post Reporting Date Events

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

Directors and their Interests

The Directors of the Company, including their biographies, are shown within the Board of Directors & Secretary section of this Annual Report, with further details of Board Committee membership being set out in the Governance Report.

All Directors served throughout the financial year, except as disclosed, and in accordance with the UK Corporate Governance Code, will retire at the 2019 AGM and submit themselves for election or re-election, as necessary. Further information is also contained in the Notice of Meeting.

Other than employment contracts and tracker share LTIP/JOP loans, none of the Directors had a material interest in any contract with the Company or its subsidiary undertakings. Key terms of the Directors' service contracts, interests in shares and options and tracker share loans are disclosed in the Directors' Remuneration Report.

Any related party interests applicable to the Directors is shown in note 22 to the financial statements.

Essential Contractors and Implications Following a Change of Control or Takeover

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

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

Tracker Share Arrangements ('Minority Interests or MI Model')

The Group regards its tracker share model as a key factor in its success and plans to create more of these going forward, on similar terms to those previously created, subject to shareholder approval.

Entrepreneurial employees within the Group often create ideas for new business opportunities, which the Group may elect to pursue and develop. Historically, the Group has engaged with such individuals in setting up new businesses for the purpose of pursuing these new ideas, which have typically evolved organically out of one of the existing SThree businesses, with the relevant managers then given the opportunity to manage and develop that new business.

Typically, those managers of the new SThree business will be able to invest, at the Company's discretion, in the new venture and share in its success as well as the risk of failure.

As in prior years, only key individuals are invited to invest in the creation of any new tracker share business. In order to receive equity ownership, such individuals must invest at fair value and be actively engaged in that business for an agreed term. Should the individual ultimately wish to dispose of their stake, the Company retains pre-emption rights.

The minimum term for each new tracker share stake is set at the outset and will normally be five years, but will never be less than three years, in order to allow the Group flexibility to adapt to the individual needs of its brands and businesses and differing rates of growth.

Although there are a number of different businesses in which individuals are invited to invest, each invitation will generally be on similar terms to that used previously. It is therefore deemed appropriate to put only one resolution to shareholders each year, with each authority being granted for five years, although automatically renewed at each following AGM, or any adjournment thereof.

The proposed resolution, together with the standard terms upon which tracker shares are normally issued, are outlined within each notice of AGM.

Further information on the tracker share arrangements is disclosed in note 1 to the financial statements.

Share Capital and Share Rights

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

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

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

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

Authority to Issue or Make Purchases of Own Shares including as Treasury Shares and Dilution

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

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

Some 841,354 shares were purchased in the market during the year at a cost of £3.0 million. Purchases may be made for cancellation, to be held as treasury shares, or for the Employee Benefit Trust (EBT). The Directors will seek to renew the authority to purchase up to 10% of the Company's issued share capital at the next AGM.

Director's Indemnities, Director's and Officers' Insurance and Conflicts of Interest

Section 236 of the Companies Act 2006 allows companies the power to extend indemnities to the Directors against liability to third parties (excluding criminal and regulatory penalties) and also to pay the Directors' legal costs in advance, provided that these are reimbursed to the Company should the individual Director be convicted or, in an action brought by the Company, where judgment is given against the Director. The Group currently has in place and has maintained such a policy throughout the year, which will reimburse the Company for payments made to the Directors (including legal fees), for all admissible claims. The Board also confirms that there are appropriate procedures in place to ensure that its powers to authorise the Directors' conflicts of interest are operated effectively.

Listing Rules ('LR') Requirement	Confirmation
A statement of interest capitalised by the Group during the period and an indication of the amount and treatment of any related tax relief.	Not applicable
Any information required by LR 9.2.18R (publication of unaudited financial information) regarding information in Class 1 circular or prospectus or a profit forecast and estimate.	Not applicable
Details of any long term incentive schemes as required by LR 9.4.3R regarding information about the recruitment or retention of a Director.	See Directors' Remuneration Report (page 87)
Details of the waiver of emoluments by a Director, both current and future.	Not applicable
Details of the allotment of equity securities to equity shareholders otherwise than in proportion to their holdings and which had not been specifically authorised by the shareholders. This information must also be given for any major unlisted subsidiary.	Not applicable
Where the Company is a listed subsidiary, details of any participation by its parent in any share placing during the period.	Not applicable
Details of any contract of significance between the Company or one of its subsidiaries and a Director or a controlling shareholder.	Not applicable
Details of contracts for the provision of services to the Company or one of its subsidiaries by a controlling shareholder during the period under review.	Not applicable
Details of any arrangements under which shareholders have waived or agreed to waive dividends.	Not applicable
A statement of the independence provisions and compliance, or not, where there is a controlling shareholder.	Not applicable

Related Party Transactions ('RPT')
Details of any RPT undertaken during the year are shown in the notes to the financial statements.

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

Substantial Shareholdings
As at the date of this report, the Group has been notified, in accordance with the Companies Act, of the significant interests in the ordinary share capital of the Company, shown below. Any interests of the Directors which amount to over 3% of the Company's share capital are shown in the Directors' interests table within the Directors' Remuneration Report.

Name of shareholder	Number of shares	Shareholding percentage
J O Hambro Capital Management Limited	14,324,187	11.01%
Franklin Templeton Institutional, LLC	12,605,150	9.69%
William Frederick Bottriell	7,238,245	5.98%
Legal & General Investment Management Limited	7,030,279	5.48%
HBOS plc	6,983,314	5.21%
Harris Associates L.P.	6,575,593	5.17%
AXA	6,291,253	5.12%
JP Morgan Chase	7,021,061	5.07%
BlackRock, Inc.	6,137,031	4.99%
FMR LLC	6,266,905	4.99%
FIL Limited (Fidelity)	6,028,475	4.95%
F & C Management	6,104,400	4.82%
Standard Life Investments Limited	5,845,830	4.78%
Allianz Global Investors GmbH	5,853,598	4.51%

Corporate and Social Responsibility, including Diversity, Human Rights and Environmental matters
The Board pays due regard to environmental, health and safety and employment responsibilities and devotes appropriate resources to monitoring compliance with and improving standards. The Chief Executive Officer has responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources. Further information on diversity, human rights and environmental matters, including carbon dioxide emissions data, is contained in the Resources and Relationships Report, whilst information on employee share plans and share ownership is contained in the Directors' Remuneration Report and the notes to the financial statements.

Health, Safety and Equal Opportunities

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

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

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

Employee Involvement

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

Community

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

Annual General Meeting ('AGM')

The AGM of the Company will be held on 24 April 2019, at 1st Floor, 75 King William Street, London, EC4N 7BE. A separate notice details all business to be transacted.

Modern Slavery Act 2015: Slavery and Human Trafficking Statement

Organisation's structure

As an international specialist recruitment company, we are committed to improving our practices to combat slavery and human trafficking. The Directors have assessed and do not consider there to be a risk of slavery or human trafficking taking place within its supplier base. The Group makes appropriate supplier checks around governance and financial standing, and considers these adequate to protect against slavery and human trafficking within the Group's supply chain. This helps to ensure, as far as possible, that no element of the supply chain contrives human rights issues. As such, there are no such issues impacting the Group's business.

Our Supply Chains

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

Our Policies on Slavery and Human Trafficking

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. We are committed to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking are not taking place anywhere in our supply chains.

Due Diligence Processes for Slavery and Human Trafficking

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

- Identify and assess potential risk areas in our supply chains;
- Mitigate risks, including slavery and human trafficking occurring in our supply chains;
- Continually monitor risk areas in our supply chains; and
- Protect whistle blowers, via a confidential and independent reporting process.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for 2018. The Company's Modern Slavery Act statement can be found on our website, www.sthree.com.

Independent Auditors

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

The Directors are responsible for preparing the Annual Report, including the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Consolidated Group and Company's financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Consolidated Group and the Company and of the profit or loss of the Consolidated Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Consolidated Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Consolidated Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Consolidated Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Consolidated Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Consolidated Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Consolidated Group and the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are shown within the Board of Directors & Secretary section of this Annual Report, confirm that, to the best of their knowledge:

- the Consolidated Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Consolidated Group; and
- the Directors' Report, together with the Strategic Report, Chairman's and other Officers' sections of this Annual Report, include a fair review of the development and performance of the business and the position of the Consolidated Group and Company, together with a description of the principal risks and uncertainties that are faced.

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

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

By order of the Board

Steve Hornbuckle
Group Company Secretary
25 January 2019

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

Report on the audit of the financial statements

Opinion
In our opinion, SThree plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 November 2018 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Statements of financial position as at 30 November 2018; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flow, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

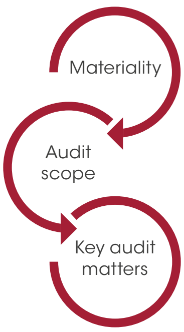
Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe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

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

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

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the group or the company in the period from 1 December 2017 to 30 November 2018.

Our audit approach
Overview



- Overall group materiality: £2.6 million (2017: £2.2 million), based on 5% of profit before tax and exceptional items.
- Overall company materiality: £1.8 million (2017: £2.0 million), based on 1% of net assets.

- The whole group was audited by one UK audit team at the centralised support function sites in London and Glasgow which are responsible for processing the transactions of the whole group. Our audit was therefore conducted from the UK and addressed the whole of the group's profit.

- Accrued income cut off (Group).
- Tracker share accounting judgement (Group).
- Disclosure of exceptional costs and provision for restructuring (Group).
- Impairment of plc investments in subsidiaries (Company).

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

Capability of the audit in detecting irregularities, including fraud
Based on our understanding of the group and the industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and indirect taxes impacting different territories, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and the Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to achieve desired financial results and the manipulation of exceptional items and management bias in accounting estimates. Audit procedures performed by the group engagement team included, but were not limited to:

- enquiries with management, internal audit and the group's legal counsel (internal and, where relevant, external), including consideration of known or suspected instances of fraud and non-compliance with laws and regulations and examining supporting calculations where a provision has been made in respect of these;
- reading key correspondence with regulatory authorities in relation to compliance with certain employment laws and indirect tax matters;
- understanding and evaluating the design and implementation of management's controls designed to prevent and detect irregularities;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to accrued income cut off, tracker shares and the measurement of restructuring costs and classification of these as exceptional items (see related key audit matters below);
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, postings by unusual users and key word searches.

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

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

Key audit matter	How our audit addressed the key audit matter
Accrued income cut off (Group) The group's accounting process means that there is a material amount of accrued rather than billed contractor revenue at each period end ('accrued income'). At year end the accrued income was £78.2m (2017: £65.0m). This estimate is a system-computed amount calculated by using standard contractor rates and estimated hours for placed contractors. The amount is reviewed by management and adjusted for post year end data when contractor timesheets are received. Contractor revenues represented 72% (2017: 71%) of the group's gross profit during the year. We focused on this area due to the material quantum of accrued income and the potential for variances to arise when compared to actual post year end data. Refer to Trade and other receivables (note 13 of the financial statements), Critical accounting judgements and key sources of estimation uncertainty (note 1 of the financial statements) and the Audit Committee Report.	For contract revenue, including accrued income, we: Tested the automated controls in the system to see that it calculated accrued income correctly based on contracted hours and billing rates. Tested the manual controls supporting the accuracy of rates and hours inputs into the system. Compared a sample of the timesheets submitted and/or billings raised subsequent to the year end to the revenue that had been accrued in relation to them and found them to be consistent. We examined the historical accuracy of making this estimate by checking the prior year's accrual and that the post year end variances were not material. We verified that accrued revenue was not older than three months in age in accordance with group policy, and examined the ageing profile of the balance in general, concluding that management were following their policies in this area.

Key audit matter	How our audit addressed the key audit matter
Tracker share accounting judgement (Group) Tracker shares can be repurchased from holders with either cash or SThree plc shares at the company's discretion. The company's policy is to settle these using SThree plc shares. Therefore this share based payment scheme continues to be accounted for as equity settled. There are significant accounting differences between an equity settled and a cash settled scheme. Therefore, with regard to the material quantum of amounts involved, we focused on this significant judgement. Details of the tracker share scheme are set out in the Chief Financial Officer's report and in the Accounting policies (note 1 of the financial statements). Refer also to Share Capital (note 19(b) of the financial statements), Critical accounting judgements and key sources of estimation uncertainty (note 1 of the financial statements) and the Audit Committee Report.	We verified that SThree's current policy for repurchasing tracker shares continues to be through the issue of new SThree plc shares or use of treasury shares. We tested repurchases of tracker shares during the year and verified that these were settled with SThree plc shares in accordance with this policy. We confirmed with management and the Board that it remains their intention to settle in equity, and that this policy is disclosed within the financial statements.
Disclosure of exceptional costs and provision for restructuring (Group) On 1 November 2017 the Group announced the restructuring of its central support functions. Management has recognised £6.8m of costs related to this restructuring and classified these as exceptional items in the consolidated income statement in accordance with the group's accounting policy in note 1 of the financial statements. The key elements of the exceptional costs for 2018 include staff costs of £4.1m, property related costs of £0.9m and other costs of £1.8m. Determining whether costs should be classified as exceptional requires judgement. Judgement is also required to determine which costs should be provided for at the year end and the estimation of these amounts. We also focused on this area to ensure that disclosures made in the Annual Report and Accounts in respect of an Alternative Performance Measure (Profit before tax and exceptional items) are clearly explained, reconciled to statutory measures, and are not given undue prominence. Refer to Administrative expenses – Exceptional items (note 3 of the financial statements), Critical accounting judgements and key sources of estimation uncertainty (note 1 of the financial statements), the Chief Financial Officer's report and the Audit Committee Report.	We considered whether the exceptional items recorded were non-recurring in nature and recognised and presented in accordance with the Group's disclosed accounting policy. We agreed that due to the material quantum of the costs and their strategic and non-recurring nature, it was appropriate to classify the costs directly associated with the restructuring programme as exceptional items. In relation to the exceptional costs identified: We assessed the different types of costs incurred and the point an obligation was established to ensure these were recognised in the correct accounting period. For redundancy costs, we selected a sample of impacted employees, verified the settlement agreement and agreed the subsequent payment. In addition, we performed a look back test to verify the accuracy of the provision booked by management in the prior year. For other costs we agreed a sample of professional advisory fees, travel costs and legal fees to supporting agreement and invoices, making sure the services provided relate to the restructuring. We found no exceptions from our testing. In our review of the Annual Report and Accounts we focused on disclosures of the Exceptional costs in note 3 and that Alternative Performance Measures are sufficiently explained and presented alongside statutory measures. We also considered the outcome of the Audit Committee's own review which concluded the Annual Report and Accounts are fair, balanced, and understandable.

Key audit matter	How our audit addressed the key audit matter
Impairment of plc investments in subsidiaries (Company) IAS 36 Impairment of assets requires that the recoverable amount of an asset is measured whenever an indication of impairment exists. The company holds investments in a number of UK and overseas subsidiaries with a total carrying amount of £213.9m at 30 November 2018. In recent years the UK business had experienced challenging economic conditions and declining performance indicating a risk of impairment of the carrying value of UK investments. In 2016 and 2017 management's impairment test resulted in an impairment of the company's investment in subsidiaries of £40.1m and £88.1m respectively. We focused on this area due to the material quantum of the carrying value of UK investments. Judgement is required to determine whether impairment indicators exist which would require an impairment test to be performed. We also noted there is economic uncertainty in the UK market, particularly in relation to potential outcomes associated with the UK voting to leave the European Union, that could have a potential impact on the recoverable value of these investments. Refer to Investments (note 12 of the financial statements), Critical accounting judgements and key sources of estimation uncertainty (note 1 of the financial statements), the Chief Financial Officer's report, the Principal Risks and Uncertainties section and the Audit Committee Report.	We considered management's assessment of indicators of impairment and whether there were any new developments in 2018 which may indicate a further impairment to the carrying value of the UK business. We considered the performance of the business in 2018 against the Board's budget expectations at the start of the year, and the previous year's impairment model assumptions. We found that the UK business had performed marginally ahead of management's expectations and this did not indicate any further decline or an impairment indicator. We reviewed the Board's budget and five-year plan to understand whether there was any change in the medium term outlook for the business based on management's expectations. In light of the market uncertainty associated with a potential UK exit of the European Union we reviewed management's disclosure of critical accounting estimates and risk disclosures to ensure this is appropriately described. We concluded that no indicators of impairment of the company's carrying value of investments in its subsidiaries had arisen.

How we tailored the audit scope

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

The whole group was audited by one UK audit team at the centralised support function sites in London and Glasgow which are responsible for processing the transactions of the whole group. Our audit was therefore conducted from the UK and addressed the whole of the group's profit.

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£2.6 million (2017: £2.2 million).	£1.8 million (2017: £2.0 million).
How we determined it	5% of profit before tax and exceptional items.	1% of net assets.
Rationale for benchmark applied	We believe that profit before tax, adjusted for exceptional items, provides us with a consistent year on year basis for determining materiality by eliminating the disproportionate impact of these items.	We believe that net assets is the primary measure used by the shareholders in assessing the position of the non-trading holding company, and is an accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.3 million (Group audit) (2017: £0.1 million) and £0.1 million (Company audit) (2017: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

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

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

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 November 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement
In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (in the Governance Report) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (in the Governance Report) with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the company. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group
We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 108 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 76-77 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (Listing Rules)

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

- The statement given by the directors, on page 112, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 81 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Directors' Responsibilities Statement set out on page 112, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

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

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

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 30 January 2005 to audit the financial statements for the year ended 30 January 2005 and subsequent financial periods. The period of total uninterrupted engagement is 14 years, covering the years ended 30 January 2005 to 30 November 2018.

Christopher Burns
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 January 2019