When the world changed

we were ready

SThree plc
Annual Report
and Accounts 2021

We are the world's leading STEM talent partner. We bring skilled people together to build the future.

Founded in London in 1986 as a small, specialist recruitment business, over the past 36 years the SThree Group has expanded into a multi-brand organisation, giving our clients access to a global network of dedicated STEM (Science, Technology, Engineering and Mathematics) specialists. We have nearly 2,000 recruitment experts, operating from 44 offices in 14 countries. We have been listed on the London Stock Exchange since 2005.

Our Group of go-to-market brands gives a unique combination of specialist recruitment knowledge and worldwide reach. Each brand brings expertise in specific sought-after skills within the Engineering, Life Sciences or Technology sectors. That specialist knowledge allows us to place STEM professionals with the businesses who need them across many sectors – for both permanent and flexible work.

Our teams are passionate about supercharging potential in their dedicated niche. Although we operate under many brands, everyone at SThree is connected by our community-spirited culture and shared ways of working.

Our STEM focus served us well last year when the world needed life scientists and technologists to develop vaccines, and engineers to build factories to produce those vaccines. It served us well again when the world experienced ten years of digital adoption in six months and companies urgently needed software specialists to reshape businesses online.

Now, and for some time to come, STEM talent will be needed to move us all to a net-zero economy. Applying the expertise of our people, SThree will help companies find this STEM talent. In the process, we will help achieve the career goals of our candidates, the business goals of our clients and play an important role in creating a better future for everyone.

For more information on market trends see Market overview on pages 28 to 31.

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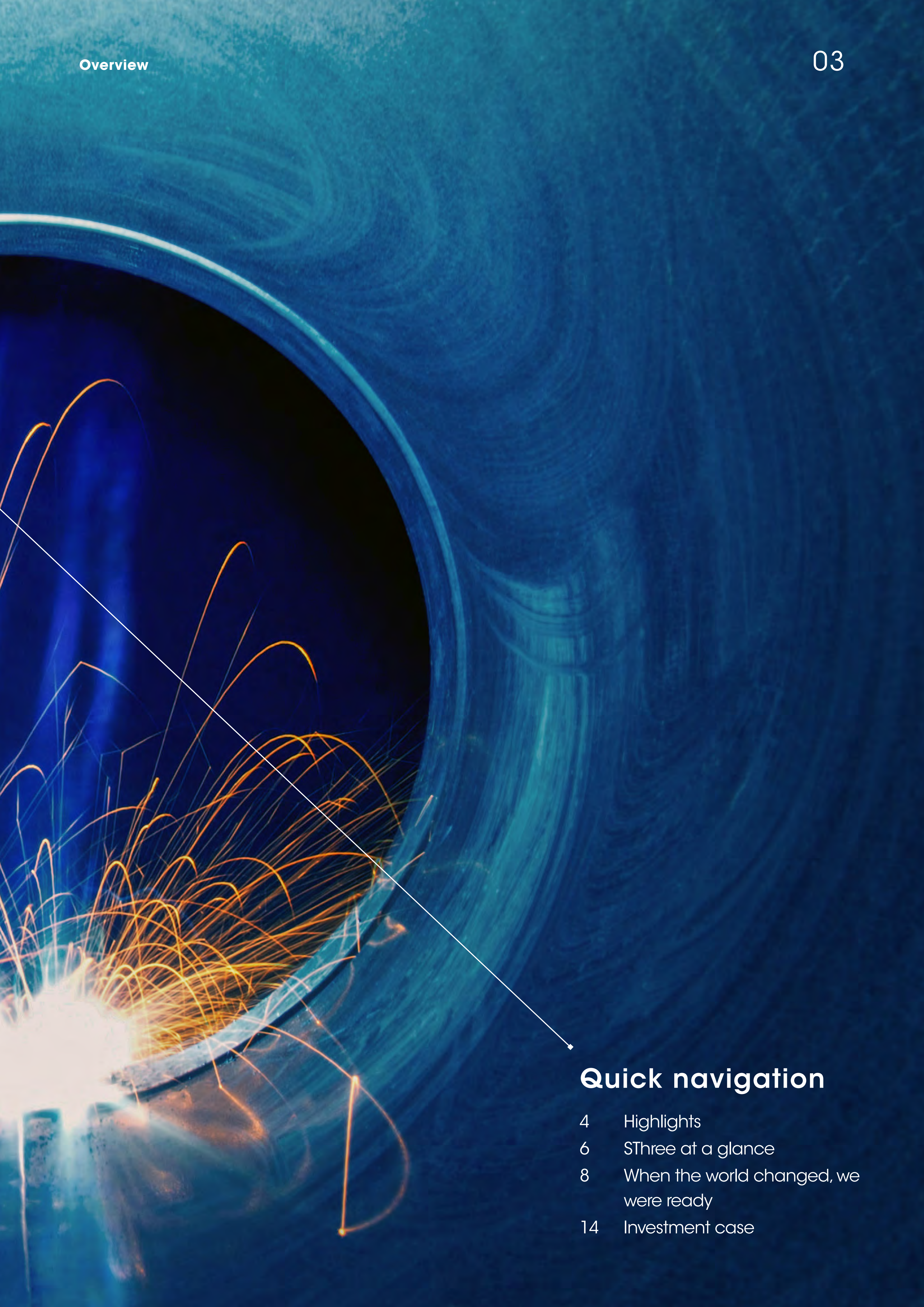
Overview



Quick navigation

Highlights

Performance highlights

A positive momentum in the demand for STEM skills, accelerating trend towards flexible working and improved staffing market conditions helped the Group deliver record results – well ahead of 2020, but also the prior record year of 2019. With candidate and client confidence improving across most of the Group's global footprint, we reported significant growth rates in contractor order books to levels not seen since the peak of 2019.

We continued to make progress in managing our important environmental, social and governance ('ESG') commitments for the benefit of all our stakeholders and we have been working hard to drive positive change throughout the business.

2021	£1.3bn
2020	£1.2bn

£1.3bn
Revenue
(2020: £1.2bn)

2021	£356m
2020	£309m

£356m
Net fees
(2020: £309m)

2021	£58m
2020	£50m

£58m
Net cash
(2020: £50m)

2021	£61m
2020	£32m

£61m
Operating profit[1]
(2020: £32m)

2021	31.9p
2020	14.2p

31.9p
Basic earnings per share
(2020: 14.2p)

DE&I
Company of the year at the European Diversity Awards

33,150
positively impacted lives in 2021, through delivering recruitment solutions and community programmes

2021	43
2020	5

43
eNPS
(2020: 5)

2021	50
2020	52

50
NPS
(2020: 52)

1 The Group also uses alternative performance measures ('APMs') to help explain its business performance. Further information on APMs, including a reconciliation to the financial statements (where appropriate), can be found on pages 212 to 215.

There is more about our performance and approach on the following pages:

Chair's statement	Page 18
Chief Financial Officer's review	Page 22
Key performance indicators	Page 52
Business review	Page 56

SThree at a glance

We are a global talent provider specialising in STEM skills

STEM talent

The talented people we place are solving some of the most complex challenges the world faces today. There is a scarcity of STEM talent and we help to close significant skill gaps in key markets. STEM skills underpin an increasingly technical, interconnected and fast-paced way of life we are living. They are central to our ability to solve the problems we face and to harness the power of technology.

Empowering our people

We strive to be one team with an open, diverse and welcoming culture in a flexible working environment. Our business is full of bright, pro-active, forward-looking people who bring energy and fun to the workplace. They care about each other – collaboration is key to everything we do.

2,735
employees

14
countries across three continents

International presence

Our business serves clients and candidates in the most important STEM markets, throughout the USA, across Europe, the Middle East, South-East Asia and Japan, which offer the best possible opportunity for SThree to grow while meeting growing client needs.

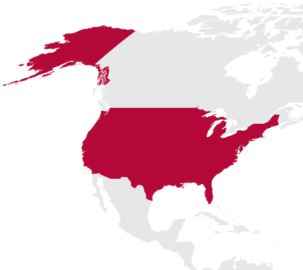
Long-term sustainable value

We continue to invest in new business and talent growth with ESG considerations embedded in our strategy. Within our markets we contribute to economic growth through delivering employment opportunities and empowering business growth. Ultimately, we work towards a future that works for all of us by putting people first.

Addressing climate change

By actively working on our own emission targets and working with more renewable energy clients to provide talent for the low-carbon economy, we have a role to play in tackling the climate emergency facing our world. At SThree, we aim to have a positive impact on society beyond what our clients and candidates achieve.

Global footprint



USA
Focus on Life Sciences and Engineering

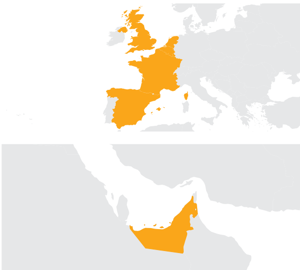
+24%
Net fees growth in constant currency

25%
Percentage of Group net fees

DACH
Focus on Technology and Life Sciences

+24%
Net fees growth in constant currency

36%
Percentage of Group net fees



EMEA excl DACH
Focus on Technology and Engineering

+9%
Net fees growth in constant currency

36%
Percentage of Group net fees

APAC
Focus on Technology and Life Sciences

+34%
Net fees growth in constant currency

3%
Percentage of Group net fees

Our purpose-led approach

Purpose: **Bringing skilled people together to build the future**

Vision: **To be the #1 STEM talent provider in the best STEM markets**

Strategic pillars

See Strategy overview, page 34.

Our position	Our platform	Our markets	Our people
Leverage our position at the centre of STEM to deliver sustainable value to all stakeholders.	**Create a world-class operational platform through data, technology, and infrastructure.**	**To be a leader in markets we choose to serve.**	**Find, develop, and retain great people.**
Continue to invest in sales and marketing – evolve the channels we utilise to deliver value to our candidates and clients.	Build on global operational capabilities to deliver scale and margin expansion.	Enhance the use of data to drive further performance improvement and unleash new opportunities.	To create a culture and employee experience that enables our people to be at their best.

Stakeholders

See Stakeholder engagement, page 76.

Our position	Our platform	Our markets	Our people
– Our people – Clients and candidates – Shareholders – Local communities	– Our people – Clients and candidates	– Clients and candidates – Shareholders – Our people	– Our people – Local communities

2021-2024 ambitions

See Key performance measures, page 52.

Our position	Our platform	Our markets	Our people
To grow productivity[1] per head over the period by 1%-2% p.a. (2021: +31.0% YoY) (2020: -3.0% YoY) **To positively impact 150,000 lives by 2024**	**21-24% Operating profit conversion ratio[2]** (2021: 17.1%) (2020: 10.1%) **To reduce our absolute CO_2 emissions by 20%**	**> 75% Free cash conversion ratio[2]** (2021: 40%) (2020: 178%) **To grow market share of STEM in our five core markets by 50% by 2024** **To double the size of our renewable energy business by 2024**	**Employee engagement score greater than a high performing norm** **Maintain L&D spend at 5% of operating profit** **Increase gender representation at leadership levels to 50/50 by 2024**

Culture (values shared across SThree)

Build trust
We act responsibly and with integrity, building strong relationships with our stakeholders.

Care, then act
We create a positive and inclusive work environment where diverse opinions and perspectives are valued.

Be clear, aim high
Through a culture that empowers our people we can best support our customers.

Notes on methodology
1. Productivity expressed as net fees over average total number of employees.
2. See Alternative performance measures note on pages 212 to 215.

When the world changed, we were ready

Placing specialist life science skills with a global leader in Covid-19 vaccine development

The race to vaccinate the world began in 2020 as the global pandemic hit every country. It has continued throughout 2021. But for our client, this was not the beginning of their journey.

Having worked with them since 2018, we knew their goal was to revolutionise cancer medicine through individual therapy plans for patients with the condition. However, as the world stopped in 2020, they realised they had the means to contribute to the development of a vaccine. They got right to work but needed additional life sciences talent to make it happen.

Our client needed people with extensive experience in clinical research, regulatory affairs, pharmaceutical manufacturing, procurement and supply change management, along with various IT and HR roles – all within a short timeframe. The roles were essential for the development and delivery of a Covid-19 vaccine.

As specialists in the life science sector, we were aware of the competitiveness in the market and the scarcity of these highly sought-after candidates. As an already trusted partner of the client, and aware of the urgent need to address the global crisis, we gave it everything we had, creating dedicated project teams to focus our search and find the professionals needed in the fastest time possible. We delivered the talent who had the skills they were looking for.

Our client's success in vaccine development means they can now pursue their core purpose of revolutionising cancer medicine while also developing trials, and funding research, to fight diseases such as malaria, HIV and tuberculosis.

When the world changed, we were ready

Finding a lot of reliable talent, fast, for a utility-scale solar farm construction project

"

SThree mobilised people quickly for the project with the experience we needed. The workers we hired through SThree were reliable and able to hit the ground running with vehicles and gear."

ENGIE Project Manager

In November 2019, ENGIE – a global leader in sustainable energy solutions – began construction on a 200-megawatt utility-scale solar farm in Anson, Texas. As ENGIE staffed and began the project, a clear challenge emerged requiring extensive quality assurance inspectors they didn't have on the team.

To complete the project safely against a tight timeline, ENGIE needed a staffing firm with a strong track record of delivering candidates who have the requisite experience. ENGIE turned to SThree.

We are a leader in staffing renewable energy projects across all solar industry market sectors. Our pipeline of pre-vetted individuals with the requisite skill sets for renewable energy construction jobs ensures candidate reliability by providing:

- Industry-specialist screening
- Thorough reference checks
- Competency and technical screening
- Comprehensive post-placement services

Because of SThree's vetting and job matching, its workers understand job requirements and have the capabilities required to lead projects to completion.

Beyond finding ideal candidates, SThree offers back-office assistance, including payroll services and legal and insurance support. Furthermore, SThree's Enhanced Services offering ensures workers arrive on site with the vehicles, PPE, training and tools needed to perform their jobs effectively.

The unique combination of handpicked talent and enablement services was essential in getting the right staff in place quickly to support the inspection and activity ramp up on the project. In January 2021, the Anson Solar Project successfully came online as scheduled.

When the world changed, we were ready

Building a diverse and inclusive workforce for the 21st century

"Everyone here recognises a diverse team is a better team – you get more varied ideas and better decisions."

Ana Esteves Pinto
Senior Talent Acquisition Specialist, Schneider Electric.

SThree partners with several sustainable energy manufacturing clients, supplying talent to help them build a better future through clean energy. One of those clients is Schneider Electric, voted the world's most sustainable corporation[1]. It designs and manufactures products that help households and businesses use energy more responsibly, resulting in less wastage. Schneider Electric sees a 25-billion-euro turnover annually and is home to over 137,000 employees.

The company is passionate about diversity, equity and inclusion and has set itself some tough diversity targets to meet by 2025: for women to form 50% of new hires and 30% of senior leaders, up from around 43% and about one-quarter respectively now. SThree was brought in to help make it happen.

A talent partner since early 2020, SThree has placed a number of people into roles in the firm's engineering team. Computer Futures, one of SThree's recruitment brands, recommended Kathleen Dunham for the position of engineering team leader. She was appointed in October 2021, the first time a woman has held an engineering leadership role at the company.

"It was fantastic, from the first time I engaged with SThree, they were very helpful in conveying to me what the role would entail and I have to say, the role is aligned to what they explained to me," said Kathleen.

Ana Pinto, Senior Talent Acquisition Partner at Schneider Electric, added: "We've established a good open relationship with SThree, discussing the challenges that we have. It's a partnership. They've put in place a team that can support us in high volume vacancies in highly technical roles."

She added: "Everyone at Schneider Electric recognises a diverse team is a better team – these people help shape the culture, performance and growth of our business and it's critical we create a workplace where we all want to be."

Once hired, candidates are put onto retention schemes that continue to promote diversity. Like SThree's IdentiFy+ female leadership programme, Schneider has a process for identifying high performing females and fast tracking their career pathways. Managers are also appraised on the progress of team members from underrepresented gender and ethnic groups.

1 Schneider ranked number 1, out of more than 8,000 corporations assessed for 2021 Global 100, in an annual list compiled by Corporate Knights, a media and research company focused on corporate sustainability performance.

Investment case

SThree's growth opportunity is substantial

The right strategy for growth

Market dynamics are favourable to our offering

STEM

Flexible working

Talent in demand

Investing for growth and transformation

Need for agility

Unique opportunity

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

STEM skills for now and the future

- STEM skills are in long-term demand as the world is changing at a rapid pace.
- STEM skills are critical to face challenges of climate emergency, natural resource scarcity, inequality, urbanisation, health care needs, breakthroughs in life sciences, artificial intelligence, energy storage and quantum computing.
- STEM skills are urgently needed in the life sciences, technology, engineering and banking & finance sectors, to help businesses grow and build resilience. Skills for the net-zero economy are especially important to facilitate the low-carbon transition.
- Global demand outweighs the supply of STEM skills.
- There is significant room for market share growth in the best STEM markets.

'Flexible working' the future of the workplace

- Contract/temporary placements are particularly well suited to STEM roles.
- There is a global shift towards increased use of contingent workforces, shorter job tenures and rapidly growing societal preferences towards remote – or hybrid-working arrangements.
- The need for flexibility has accelerated as a result of the pandemic which has led to an increased reliance on technology.
- Demand for flexible working increases the recurring nature of SThree revenues, providing greater visibility and predictability of future earnings.
- Resilient in uncertain markets and strong as markets improve.

We are the only global, pure-play STEM specialist.

Our unique proposition sits at the centre of two long-term secular trends: demand for specialist STEM skills and flexible working.

Generating value is essential for shareholders. We hold strong positions in the key STEM job markets of the UK, US, Germany, Netherlands and Japan, using our deep knowledge and global network to recruit the best professionals.

Focus on two long-term secular trends

- STEM skills are at the fore-front of change across the world, and we have excellent relationships with clients and candidates in these niche sectors.
- 'Flexible working' becoming the future of the workplace amid rapidly growing societal preferences and technological change.

See Market overview on page 28 and Strategic progress: Our position for more information on page 36.

Global reach, with significant market growth potential

- Successful operations in some of the largest STEM staffing, markets: USA, Germany, the Netherlands, the UK and Japan, each with a growth rate greater than that of the market as a whole. These five markets represent 86% of the Group's total net fees and over 75% of the global STEM market.
- Although we operate in the best STEM markets, we have a relatively small market share in each, offering significant potential to grow.

See Business review for more information on page 56.

Strong track record of cash generation, driving growth and underpinning dividend policy

- Recurring revenue dynamics of our contractor business drives sustainable free cash flows and is resilient during economic downturns.
- Clear capital allocation policy: invest in the business to drive sustainable growth, fund selective strategic initiatives and provide regular dividends.

See Chief Financial Officer's review for more information on page 22.

Focused on having a best-in-class operational capability

- Strong and experienced management team focused on quality execution and maximising growth opportunities.
- Leveraging technology and implementing strategic projects to stream-line operations, improve customer experience, and drive margin expansion.

See Strategic progress: Our platform for more information on page 40.

Responsible business

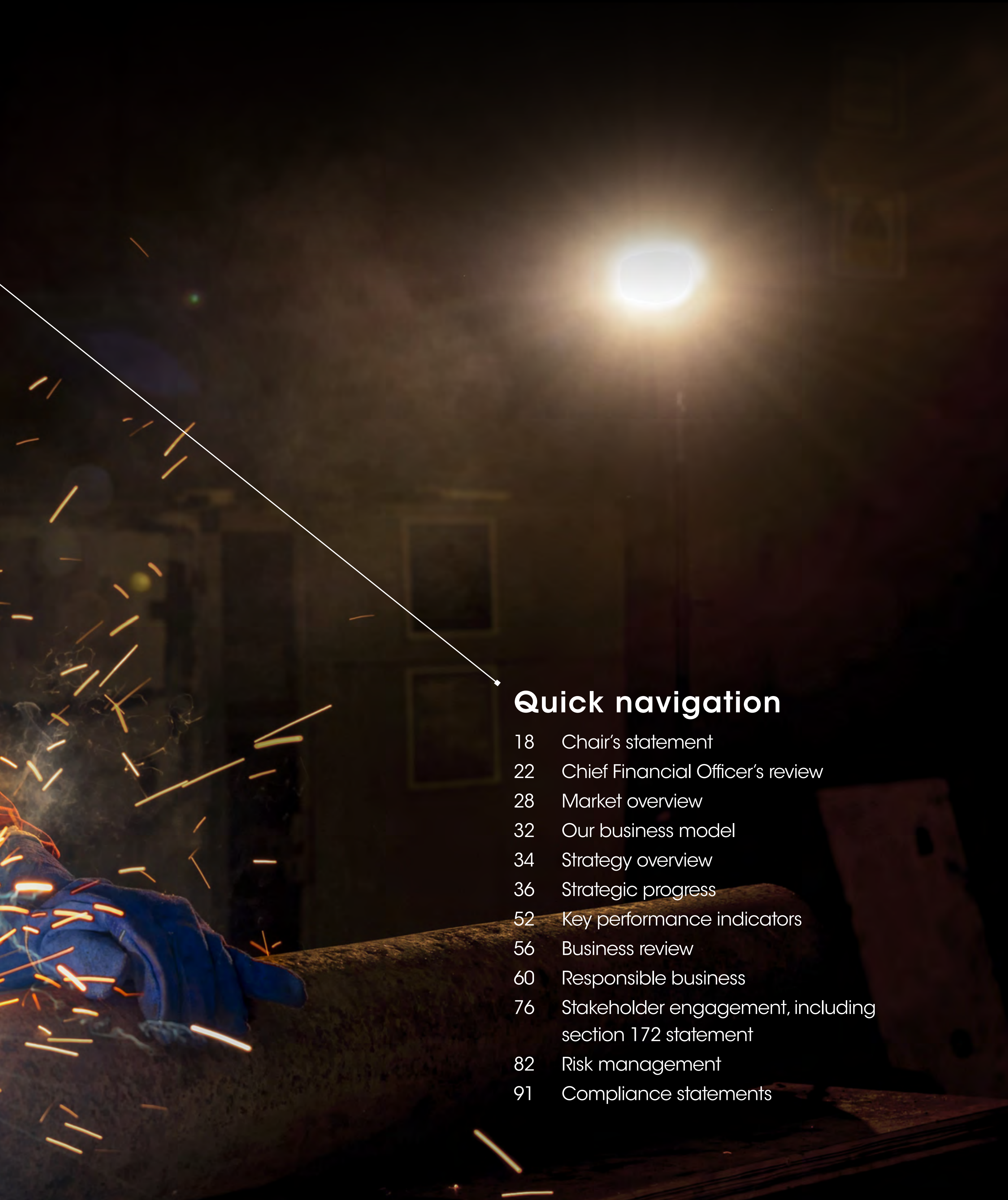
- A purpose-driven business with a well-considered ESG strategy, with long-term commitments to the environment and society.
- ESG concerns are woven into everything we do. We have agreed metrics and targets to deliver positive outcomes for all of our stakeholders and contribute towards the UN Sustainable Development Goals where we can have the most impact.
- Robust corporate governance and risk management processes.

See Responsible business, including TCFD for more information on page 60.

Strategic report

The Strategic report from page 16 to page 95 was approved by the Board on 28 January 2022 and is signed on its behalf by:

Kate Danson
Group General Counsel



Quick navigation

"Our business model has proven to be resilient in times of high uncertainty and we remain committed to the delivery of our strategy for the benefit of all our stakeholders."

James Bilefield
Chair

Chair's statement

Profitable and resilient

Read my introduction to Governance on page 98.

Our purpose is 'Bringing skilled people together to build the future'. A key measure of our performance is how well we lived that purpose.

In our 2021 financial year, we placed over 22,000 STEM specialists with companies which need their talents to build a better future. We ran skills development programmes that improved our staff's capabilities, and our environmental, social and governance ('ESG') efforts enhanced lives in the communities where we operate. In total, SThree positively impacted over 33,000 lives in the past year. Everyone at SThree is extremely proud to provide meaningful, decent work and job opportunities to tens of thousands of people around the world.

As the world changed at the outset of the pandemic, and then fuelled by recovery in 2021 and a war for talent, our clients needed STEM talent fast, often on a project basis. We were ready to serve that demand, thanks to our strategy, as set out in our Capital Markets Day presentation in late 2019. Our approach was developed in response to two long-term trends: one, the growing need for STEM skills and two, the increased demand for flexible contract work to deliver time-limited projects, alongside focusing on best-in-class operational execution.

As a result, we are pleased to report excellent year-end figures with net fees up 19% in constant currency at £356 million and adjusted operating profit up 106% in constant currency from £31 million in 2020 to £61 million in 2021. Both net fees and operating profit were also comfortably ahead of 2019 levels, which had been a record year in SThree's history.

We took share from competitors in several key markets and our performance compares well to our UK-listed peer group.

Progress in pursuing our strategy

Governance

One of my priorities as Chair is to move the Group towards FTSE 250 standards of governance and last year, we made good progress towards this goal with many new initiatives including the Board's focus on climate-related disclosures and governance framework to oversee a robust climate change management strategy.

Our positioning as leaders in STEM and flexible working

We honed our value proposition through the year. The value we deliver for clients is our deep understanding of the STEM skills they need and the ability to supply candidates with those skills. That same deep understanding allows us to build strong relationships with candidates so that we can find the right roles for them and help guide their careers.

In addition to being a leader in STEM, we want to be known as a leader in flexible working. While we remain a full-service business for our clients with around 25% of our net fees from the placement of permanent candidates, largely in leadership roles, the biggest part of our business is now helping our clients' teams with highly skilled, flexible contract workers.

That ratio of 75:25 contract to permanent hasn't changed materially during the year but there has been a continued shift within the contract group. Our Employed Contractor Model ('ECM'), where contractors are directly employed by SThree rather than the client, is proving an increasingly compelling proposition alongside freelancing. At the beginning of the year the mix was 46% independent contractors and 30% ECM. Now it is 43% independent contractors and 32% ECM.

ESG and DE&I are central to our business model

ESG and delivering on our purpose is a core part of our business. Every economy in which we operate will need to build back better and greener by investing in infrastructure. The COP26 UN climate change conference marked a step forward in global efforts to address climate change, including a material increase in ambitions to reduce emissions across the world.

Within environment, many of our clients are either in the renewable energy sector or navigating the low-carbon transition. Social policy is essential to our operation as people are at the heart of our performance. We need our culture to be diverse, equitable and inclusive in order to attract and retain capable talent for our own business but also to source the candidates our clients need. As for governance, clients need assurances we have the legal resources and governance structures to deliver employee contracts that are fully compliant.

Chair's statement continued

In April 2021 we published our first Impact Report, setting out ESG progress, metrics and targets. We are an early adopter of the robust Taskforce on Climate-related Financial Disclosures ('TCFD') reporting standard, and you will find our first performance data in the Responsible business section of this report. Also in April 2021, we were delighted to be recognised as a climate leader by the Financial Times, joining the top 300 companies on their European Climate Leaders list. We were placed number 69 and are the only staffing sector company to achieve that distinction.

Our Diversity, Equity and Inclusion ('DE&I') policies are critical to attract and retain talent and help people perform at the top of their game. In November 2021, SThree was awarded Company of the Year at the 2021 European Diversity Awards joining the ranks of best practitioners such as Lego, HSBC and Vivendi. Again, we were the only staffing sector company to be recognised.

We measured our current make-up and set challenging targets for gender, aspiring to increase gender representation at leadership levels to 50/50 by 2024. Our NED representation at the Board level is 50/50, in our Senior Leadership Team it is 40/60 and women currently occupy 31% of leadership roles more widely within the Group.

Platform and people development

We took great strides this year in improving our team members' development. We launched a new learning and development platform that is accessible to all from anywhere. New leadership training programmes were also put in place which achieved 92% participation. We gave bias training to our recruiters so they could reduce its influence in staffing decisions. We have exceeded the target percentage of the Group adjusted operating profit spend on our people development set out in our Capital Markets Day plan, achieving 5.5% in 2021 versus the target of 5.0%.

It is critical for us to be hiring the right people in the right places as we increase our headcount. We therefore reviewed our talent acquisition and succession planning processes, refining them before training our recruiters in best practice.

Having culture and values endorsed by our entire business, including every member of the senior management team, is also critically important. Extended parental leave, family leave, support for mental well-being and extended paid volunteering hours for everyone are just a few examples of this year's initiatives to develop an inclusive culture around our people.

All these investments in our culture help us better fulfil our purpose: bringing skilled people together to build a better future.

Markets and operating where STEM demand is strongest

We made a deliberate shift through the pandemic to adjust our portfolio and focus on the five core markets: US, UK, Netherlands, Germany and Japan. Together, these represent over 75% of the world's STEM market and over 86% of our net fees. Our strategy is to aim for leadership in those markets by achieving scale and using that scale to add value to our offer.

Segment recovery in core markets

The standout segmental performance during the pandemic was in life sciences in the US, where demand was particularly strong. This was not just a result of Covid-19 programmes as other areas, such as medical devices, also contributed. There was strong adoption of technology, especially amongst some of the more traditional retailers who realised that, with consumers at home, they needed to improve their online business models. Infrastructure investment in Germany was strong and engineering project growth in the Netherlands supported strong demand for technology candidates.

Technology really helped drive a renaissance in the UK business as well, with public sector investment and other industries such as education and healthcare, which had been tech laggards, now rapidly adopting technology. Companies needed new channels to engage with their customers and drive more resilience in their supply chain. They also needed artificial intelligence experts and data analytics to understand their business and customers better.

Both trends drove demand for programmers. Engineers were needed to increase automation as did the energy and other sectors to support their decarbonisation journeys. After elective surgeries and treatment were artificially depressed during lockdowns, backlogs finally began to be addressed, which required health technology and engineering experts. Although certain niche skills were out of favour, generally the story was one of strong recovery in demand.

Our approach to the pandemic

Our own response to the pandemic was to establish a framework approach, developing tactics for the three phases of the pandemic. First, there was the 'emergency response' phase, which we referred to in last year's annual report. Our approach here was to revise the way we supported our clients and our candidates, whilst still maintaining capacity for when demand began to return. We shifted to having all our people working from home and provided them with the IT equipment, training and personal support they needed.

The next phase, which we are thankfully emerging from in many of our markets, is the 'ongoing management of a rolling crisis' phase. Until it is fully resolved, we won't get the cross-sector recovery required to say with confidence that we have reached the final phase, 'a new normal'.

Throughout the year, we were still in the ongoing management phase and there was always going to be a level of volatility. As all the evidence suggested our strategy remained sound, the questions we focussed on throughout the year were, 'how do we operate in this period?' and, 'how do we implement the strategy given the uncertain background?'.

Inevitably, some of the investment priorities we had a year ago changed. We formally changed to a global hybrid-working policy for all staff that allows us to flex to uncertain times. It has been well received by our people. Remote working was putting heavier demands on our IT systems, so we further invested in our IT infrastructure. As cyber security is an ongoing issue, we invested in better-quality systems to protect our candidates' and clients' data. In the final quarter of the year, we hired Nick Folkes, a highly skilled technology and transformation leader as our Chief Technology and Information Officer.

Management appointments

In July we welcomed Andrew Beach as our new Chief Financial Officer and said goodbye to Alex Smith, who had served as CFO for 12 years. I'd like to thank Alex again for his achievements in that time. At the close of the financial year, the Board announced that Mark Dorman would be stepping down from the Board and as CEO of the Group on 31 December 2021. Timo Lehne, who was serving as the Senior Managing Director of SThree's largest and most successful region, DACH (Germany, Austria and Switzerland), was appointed Interim CEO and joined the Board as Executive Director from 1 January 2022. Mark will continue to assist the Group in facilitating a smooth handover and transition until 1 April 2022. On behalf of the Board, I would like to thank Mark for his vision, drive and unique service to the Group over the past three years.

A strong team effort

I must sincerely thank all of SThree's employees for their exceptional productivity and adaptability throughout 2021, in what have been extremely difficult circumstances. My colleagues on the Board who navigated a situation that was without precedent, also deserve thanks. They provided excellent stewardship of the Company over the year. I would also like to thank our external stakeholders for their support. Candidates trusted us for advice and to guide their career development choices. Clients turned to us to meet their STEM talent requirements as they adapted to new challenges. Investors also showed confidence in us, having the full understanding of our strategy as well as our great operational and financial performance of the Group in 2021.

Outlook

Our year started with strong forward momentum. We will continue to build sustainable growth and will resume our plans for internal investment during the year, particularly in the infrastructure that will allow us to expertly harness data and efficiencies, for example in further enhanced CRM and ERP platforms. We expect to deliver double-digit growth in net fees and profits in 2022, maintaining our operating conversion ratio at similar levels to 2021 to allow for the impact from investment of between 1% and 2% of net fees to further strengthen our operational and sales platforms. We anticipate payback on the investment, delivering an acceleration of margins from 2023.

I believe we have good reason to be confident: we are in the right markets, we are focused on the right sectors, and we have a team that is flexible and resilient enough to seize the opportunities ahead of us.

James Bilefield
Chair
28 January 2022

Net fees

£356m

up 19% in constant currency

Adjusted operating profit

£61m

up 106% in constant currency

Read more about our financial highlights on page 52.

"It's been a record year in SThree's history, with strong growth across all our major geographies."

Andrew Beach
Chief Financial Officer

Chief Financial Officer's review

The Group delivered a record performance in 2021

The strong growth versus both 2020 and 2019 demonstrate the relevance of our differentiated STEM-focused offering.

The Group delivered a very strong performance in 2021, with both net fees and operating profit not only up strongly vs 2020 but also surpassing the record 2019 levels. The Group saw an encouraging performance in the first half, which was followed by a further strengthening in the second half across all sectors and regions. Our strong balance sheet and immediately accessible liquidity of £112.5 million positions us well for the future.

Income statement

Revenue for the year was up 14%[6] to £1.3 billion (2020: £1.2 billion) while net fees increased by 19% to £355.7 million (2020: £308.6 million). The weakening of our two main trading currencies, US Dollar and Euro, against Sterling during the year, reduced total net fees by £11.3 million.

The Group's performance in 2020 was impacted by the Covid-19 health crisis but during the current year demand for staffing regained momentum and excellent progress was made with the Group surpassing the 2019 levels. The increase was led by strong growth in net fees in our three largest countries: Germany up 23% YoY, USA up 24% and Netherlands up 19% which was driven by growth in the Technology, Life Sciences and Engineering sectors. The contractor order book[7] was up by 43% at the end of the year, reflecting the ongoing high demand for skilled contractors across our markets and underpinning our positive outlook. Permanent net fee income was up 24% which was largely driven by DACH and USA, our two largest Permanent regions which were up 17% and 53% respectively.

At the end of the year, Contract represented 75% of the Group net fees in the year (2020: 76%). Overall, the Group Contract margin[8] increased marginally to 21.5% (2020: 20.7%).

Performance highlights for 2021 included:

	2021		2020		Variance	
Continuing operations(1)	Adjusted(2)	Reported	Adjusted(2)	Reported	Movement(3)	Constant currency movement(4)
Revenue (£ million)	**1,330.7**	**1,330.7**	1,202.6	1,202.6	+11%	+14%
Net fees (£ million)	**355.7**	**355.7**	308.6	308.6	+15%	+19%
Operating profit (£ million)	**60.8**	**61.0**	31.3	31.8	+94%	+106%
Operating profit conversion ratio	**17.1%**	**17.1%**	10.1%	10.3%	+7% pts	+7% pts
Profit before tax (£ million)	**60.0**	**60.2**	30.1	30.6	+99%	+111%
Basic earnings per share (pence)	**31.8**	**31.9**	13.9	14.2	+129%	+143%
Proposed final dividend per share (pence)	**8.0**	**8.0**	5.0	5.0	+60%	+60%
Total dividend (interim and final) per share (pence)	**11.0**	**11.0**	5.0	5.0	+120%	+120%
Net cash (£ million)(5)	**57.5**	**57.5**	49.9	49.9	+15%	+15%

(1) Excluding discontinued operations in Australia.
(2) Excluding the impact of £0.2 million in net exceptional income (2020: £0.5 million in net exceptional income).
(3) Variance compares adjusted 2021 against adjusted 2020 to provide a like-for-like view.
(4) Variance compares adjusted 2021 against adjusted 2020 on a constant currency basis, whereby the prior year foreign exchange rates are applied to current and prior financial year results to remove the impact of exchange rate fluctuations.
(5) Net cash represents cash and cash equivalents less bank borrowings and bank overdrafts and excluding leases.

Chief Financial Officer's review continued

Operating expenses saw an increase of 6% YoY on a reported basis. The increase was mainly attributable to personnel costs as a result of higher average salaries, bonuses, commissions, share-based payment charges and temporary personnel costs across the organisation. Technology costs also increased mainly to drive innovation and reduce operational risk, by moving towards improved systems in support of the SThree strategy.

The Group's financial results were impacted by the following two items of other income which are unusual because of their nature and incidence:

- The Group took advantage of the job retention scheme launched by the national governments of France and Singapore, whereby it was reimbursed for a portion of salaries of furloughed personnel. A benefit of £0.3 million (2020: £1.2 million from the national governments in a number of our smaller markets) was recognised and presented as a deduction in reporting the related staff expense.
- The Group also recognised a net exceptional income of £0.2 million (2020: £0.5 million) in relation to a legacy restructuring programme partially funded by a grant receivable from Scottish Enterprise. The Group was entitled to the grant and remained fully compliant with the terms of the grant until the end of 2021.

The adjusted operating profit was £60.8 million (2020: £31.3 million), up 106% YoY in constant currency. The reported operating profit of £61.0 million (2020: £31.8 million) included a small exceptional income of £0.2 million as described above.

The Group operating profit conversion ratio[8] increased to 17.1% (2020: 10.1%) which reflects the recovery in the Group trading activity as the impact of the pandemic eased, partially offset by higher personnel costs and technology spend. The conversion ratio was also favourably affected by elevated contractor working hours that improved productivity.

The discontinued Australian operations have been excluded from the results presented above for both the current and prior year. In 2021, these discontinued operations incurred a loss of £0.3 million (2020: operating loss £1.8 million) mainly reflecting a true-up of exit costs/redundancy costs of gradually reduced staff following the business closure and the reclassification of accumulated foreign exchange differences from the Group currency reserve to the Group income statement.

Net finance costs

Net finance costs, which predominantly related to lease interest, decreased to £0.8 million (2020: £1.2 million). The higher cost in the previous year was a result of the drawdown of the Revolving Credit Facility ('RCF') in the course of 2020 to ensure strong liquidity in the face of the global health crisis. The RCF was subsequently repaid and remains available for future drawdowns.

Foreign exchange exposure

In 2021, the net currency movements versus Sterling provided a significant net headwind to the reported performance of the Group, reducing net fees by £11.3 million and operating profit by £3.6 million. This was mainly attributable to Sterling strengthening against the Euro and the US Dollar, the two main trading currencies of the Group.

Fluctuations in foreign currency exchange rates remain a material sensitivity to the Group's reported results. By way of illustration, each 1% movement in annual exchange rates of the Euro and US Dollar against Sterling impacts the Group's net fees by £2.1 million and £0.9 million respectively per annum, and operating profit by £0.7 million and £0.3 million respectively per annum. Our foreign exchange risk management strategy involves using certain derivative financial instruments to minimise the transactional exposure arising from currency fluctuations.

Income tax

The tax charge for the year on the Group's profit before tax was £17.9 million (2020: £11.7 million), representing a full year effective tax rate ('ETR') on continuing operations of 30%. In the prior year, the reported ETR on continuing operations was 39%, significantly above the current year due to higher losses in certain jurisdictions not recognised for deferred tax purposes.

The Group's ETR primarily varies depending on the mix of taxable profits by territory, non-deductibility of the accounting charge for LTIPs and other one-off tax items.

Overall, the reported profit before tax from continuing operations was £60.2 million (2020: £30.6 million), up 109% YoY in constant currency and up 97% on a reported basis.

The reported profit after tax from continuing operations was £42.3 million (2020: £18.8 million), up 139% YoY in constant currency and up 125% on a reported basis.

Earnings per share ('EPS')

The reported EPS was 31.9 pence (2020: 14.2 pence) on continuing operations, up 138% YoY in constant currency and up 125% YoY in reported currency. The YoY growth reflects higher operating profit given the significant improvement in trading performance post the pandemic, and a decrease in the Group's ETR. This was partially offset by an increase of 0.2 million in the weighted average number of shares. Exceptional items had an immaterial impact on the reported EPS (further information is provided in note 8 to the Group Consolidated Financial Statements).

The reported diluted EPS was 30.9 pence (2020: 13.8 pence) on continuing operations. Share dilution mainly results from various share options in place and expected future settlement of certain tracker shares. The dilutive effect on EPS from tracker shares will vary in future periods depending on the profitability of the underlying tracker businesses and the settlement of vested arrangements.

Dividends

The Board aims to maintain a sustainable dividend, currently within the range of 2.5x and 3.0x earnings cover[8].

The Board has proposed to pay a final dividend at 8.0 pence (2020: 5.0 pence) per share. Taken together with the interim dividend of 3.0 pence (2020: nil pence) per share, this gives a total dividend for the year of 11.0 pence (2020: 5.0 pence) per share.

The final dividend, which amounts to approximately £10.7 million, will be subject to shareholder approval at the 2022 Annual General Meeting. It will be paid on 10 June 2022 to shareholders on the register on 6 May 2022.

Balance sheet

Total Group net assets increased to £158.2 million (2020: £128.5 million), driven by the excess of net profit over the dividend payments, partially offset by unfavourable foreign currency movements and share buy-backs. Net working capital, including contract assets, increased by £22.4 million on the prior year, driven mainly by the accelerated growth in revenue, due to continued growth of the contractor order book increasing our working capital, partially offset by our continued focus on credit risk management and normalisation in client payment times post the pandemic. Our days sales outstanding remained stable YoY at 44 days (2020: 44 days), following significant improvement last year.

Our business model remains highly cash generative, and we have no undue concentration of repayment obligations in respect of trade payables or borrowings.

Investment in subsidiaries

The subsidiary undertakings principally affecting the profits and net assets of the Group are listed in note 26 to the Consolidated Financial Statements.

During the year, the Group's businesses delivered a very strong financial performance, ahead of market and management's expectations. With candidate and client confidence improving across most of our global footprint, significant growth rates were reported in contractor order books among most of the Group's businesses to levels not seen since the peak of 2019.

Accordingly, no significant indicators of impairment were identified when reviewing recoverable amounts of the Company's investment portfolio. For comparison, in the prior year the Company recognised an impairment loss of £12.9 million mainly in respect of the UK operations which were affected by heightened uncertainty and reduced economic activity caused by the pandemic.

Tracker shares

The Group settled certain vested tracker shares during the year for a total consideration of £4.6 million which was determined using a formula set out in the Articles of Association underpinning the tracker share businesses. The consideration was settled in SThree plc shares; 200,372 new shares were issued and 672,157 of shares held by the EBT were utilised. The arrangement is deemed to be an equity-settled share-based payment arrangement under IFRS 2 *Share-based payments*. There was no charge to the income statement as initially the tracker shareholders subscribed to the tracker shares at their fair value.

In 2021 the Directors decided to close the tracker share scheme for any new entrants/investments. All current tracker share businesses remaining in existence will continue to be reviewed for settlement based on the pre-agreed criteria each year, until the full closure of the scheme in the next few years. We expect all future tracker share settlements to be between £2.0 million to £10.0 million per annum.

These settlements may either dilute the earnings of SThree plc's existing ordinary shareholders if funded by a new issue of shares or result in a cash outflow if funded via treasury shares or shares held in the EBT.[9]

Reported EPS

31.9p

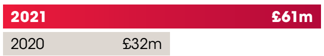
on continuing operations, up 138% YoY in constant currency

Final dividend

8.0p

giving a total dividend for the year of 11.0 pence per share

Chief Financial Officer's review continued



£61m

Operating profit
(2020: £32m)

31.9p

Basic earnings per share
(2020: 14.2p)

Liquidity management

In 2021, cash generated from operations was £54.5 million (2020: £76.9 million). It represented the improved adjusted EBITDA[8] offset by the continued growth of the contractor order book increasing our working capital and having fully repaid £2.3 million in VAT deferrals from the prior year.

Income tax paid increased to £16.7 million (2020: £10.5 million) reflecting the improved underlying trading performance across our markets and sectors.

Capital expenditure decreased to £2.6 million (2020: £5.3 million), the majority of which related to IT equipment and digitisation of our internal processes, with emphasis on greater automation and tools to improve efficiency, speed and effectiveness.

The Group paid £13.1 million in rent (principal and interest portion) (2020: £13.6 million). Net interest cost (excluding interest on lease payments) was £0.2 million (2020: £0.4 million) in the year.

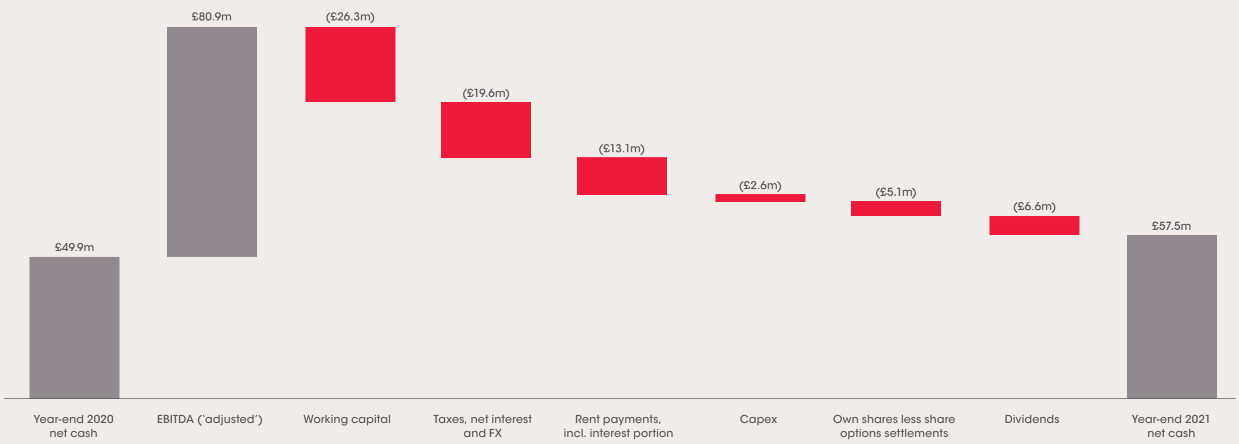
The Group spent £5.2 million (2020: £2.0 million) for the purchase of its own shares to satisfy vesting employee share incentive schemes. Cash inflows of £0.2 million (2020: £0.9 million) were generated from the Save As You Earn employee scheme.

Dividend payments were £6.6 million (2020: £6.7 million, being the interim dividend paid in December 2019) and there was a small cash outflow of £0.1 million (2020: £nil) representing distributions to tracker shareholders.

Foreign exchange had a significant negative impact of £2.6 million (2020: £0.3 million).

Overall, the underlying cash performance in 2021 was solid with 40% conversion of operating profit into operating cash flow[8] (2020: 175%), primarily reflecting very strong trading performance across the Group offset by increased working capital. We started the year with net cash of £49.9 million and closed the year with net cash of £57.5 million.

Cash flow bridge



Note
EBITDA includes share-based payments and other non-cash items, see note 27 to the Consolidated Financial Statements.

Capital allocation and accessible funding

SThree remains disciplined in its approach to allocating capital, with the core objective at all times being to maximise shareholder value:

- Balance sheet - our intention is to maintain a strong balance sheet at all times.
- Organic growth - our top priority is to invest in the organic growth of the business. We will actively invest in delivering scalable growth in net fees and margins - focusing on our people, systems and processes to improve operational efficiencies as well as developing new business opportunities.
- Acquisitions - we will seek to accelerate our growth by acquiring businesses that complement our strategy as well as offer value-enhancing financial profiles.
- Dividend - we aim to pay a dividend which is sustainable through the cycle, and which will be driven by long-term earnings growth.
- Surplus cash - whilst unlikely in the foreseeable future, we will consider returning excess capital to shareholders by way of special dividends and/or share repurchases in the event of there not being suitable organic or inorganic opportunities.

The Group's capital allocation priorities are financed mainly by retained earnings, cash generated from operations, a £50.0 million RCF which is committed to 2023, and a £5.0 million overdraft. The Group also maintains a £20.0 million accordion facility as well as a substantial working capital position reflecting net cash due to SThree for placements already undertaken.

On 30 November 2021, the Group had total accessible liquidity of £112.5 million. This was made up of £57.5 million net cash, £50.0 million in RCF and £5.0 million overdraft (both undrawn at the year end). The increased net cash balance, achieved despite the growth in Contract placements made, reflects the Group's strong focus on cash management.

Any funds borrowed under the RCF bear a minimum annual interest rate of 1.3% above three-month Sterling LIBOR. During the year, the Group did not draw down any of these facilities. In the prior year, the average interest rate paid on drawdown was 1.3%.

The Group remains in a strong financial position and has sufficient cash reserves to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

Andrew Beach
Chief Financial Officer
28 January 2022

(6) Unless specifically stated, all growth rates in revenue and net fees are expressed in constant currency and exclude Australia, which the Group exited in Q4 2020.
(7) The contractor order book represents value of net fees until contractual end dates, assuming all contractual hours are worked.
(8) The Group has identified and defined certain alternative performance measures ('APMs'). These are the key measures the Directors use to assess the SThree's underlying operational and financial performance. The APMs are fully explained and reconciled to IFRS line items in note 27 to the Group Consolidated Financial Statements.
(9) Note 20 to the financial statements provides further details about all Group-wide discretionary share plans, including the tracker share arrangements.

Market overview

During this extraordinary year we continued to see the benefits of our resilient business model and strategy, which are at the centre of two secular, long-term trends – growing demand for STEM skills and flexible working.

Our two long-term secular trends

Trend 1: Finding STEM skills to navigate the pathway to the new normal

During the pandemic, there was intense demand for pharmaceutical skills to develop Covid-19 vaccines and tests. Engineering skills to manufacture these at scale were also needed. This growth in the vaccine and biology space was offset by a slowdown in hospital appointments as elective surgery all but stopped in many territories due to isolation policies. This led to reduction in the demand for clinical technicians and medical device production engineers though this recovered when vaccines had their effect and health services pushed to catch up with demand.

Digitisation of processes across sectors continues, driving up demand for technology talent, while the shift to renewable energy requires engineering talent.

Progressive governments around the world have noted the importance of STEM and are investing in building STEM talent. It is recognised as the way to stay at the top of the value chain as those possessing the skills command high salaries and the industries in which they are used are harder to replicate. Developing countries wanting to avoid being workshops for the more prosperous economies are also investing. Tech campuses are springing up around the globe with each striving to be known for a niche technology.

How we are responding to evolving trends

In terms of salary, experience and skill, we tend to place at the higher end within each STEM discipline as we focus on specialist rather than commodity talent. The Group's focus on STEM makes it possible for our people to develop expert understanding of the skills they source. They stay ahead of developments in sectors and know what skills clients need. That deep knowledge enables our consultants to achieve a good fit between candidate profile and client business requirement. It allows us to respond quickly to evolving trends such as growing demand for climate-related scenario analysis. This ability to deliver sought-after specialists, at scale, with speed, in an ever more complex compliance and legislative world, is highly valued by clients. It differentiates us from our competitors.

Delivered through

Increasing demand for medical laboratory technologists, clinical research scientists, software development and data science skills.

Strategic pillar

Our markets

We partner with companies in their search for rare talent and help candidates find the right company to meet their needs."

Catherine De Caluwe
SThree Country Director Belux, for Planet Future

See Strategic overview: Our markets section for more information.

Trend 2: Growing adoption of flexible working practices

Increasingly, clients need STEM talent for a limited contracted period to deliver a specific project, rather than hiring permanent staff. Candidates are absolute specialists in a particular discipline, rather than being defined by the type of project they do. Thus, they can be hired for a variety of projects, often in different sectors. They therefore seek out recruitment professionals who can sell their niche skills as an independent contractor, moving between clients when projects are completed.

Lockdowns during the health crisis normalised remote working. From a recruitment point of view, it opens up the talent pool as many candidates can operate regardless of their location. Currently, we are seeing that happening nationally, but we expect cross-border remote working to become more popular. Some roles, such as lab work, will continue to require onsite attendance but the full potential of remote working is still to be realised.

Although there has been some return to offices, the flexibility of remote or hybrid working means many candidates are starting to demand it from employers.

How we are responding to evolving trends

Flexible working creates compliance risk for employers and candidates as project workers can be considered to be employees and taxed accordingly. Our Employed Contractor Model ('ECM'), where we effectively employ the project worker for the duration of their contract, mitigates this risk for clients and simplifies administration for candidates. We have the scale to offer it in most of our core countries. In the US market, this type of working is the norm, and we anticipate greater adoption in our other core markets.

Flexible working candidates are attracted to our specialism in STEM because we understand their specialist skills and can recommend roles that will utilise their talents and drive their career forward. Our scale, and the energy and drive of our consultants, means we have a healthy pipeline of opportunities. This gives candidates the confidence they will be able to go from contract to contract, developing their career within their given sphere of expertise.

Because our people keep up to date with changing client demand for STEM specialists, they can advise candidates, helping them choose the right projects. In 2021, we delivered learning and development initiatives to 55 STEM professionals, including our candidates, through #STEMSeries events and our candidate communities.

Delivered through

Growing our ECM proposition.

Implementing new digital and IT infrastructure.

Thought leadership.

Strategic pillars

Our platform

Our people

See Strategic overview: Our platform and Our people sections for more information.

Market overview continued

Emergent trends in the year

Trend 3: Climate change and transitioning to a low-carbon economy

Governments around the world met at COP26 and restated commitments to limiting global warming to 1.5 degrees Celsius. From both business and government, a focus on near-term targets and actions highlighted the need to innovate in order to deliver the pace of transition needed. STEM skills will play a critical role. The International Renewable Energy Agency estimates an additional 19 million jobs are required by 2030 to facilitate the energy transition alone. The scale of demand across all sectors for green STEM skills will likely result in a widening talent gap.

How we are responding to evolving trends

Through climate-related scenario analysis and market insights, we understand the strategic position we play in transitioning to a low-carbon economy. We aim to double our renewables business by 2024 and are making good progress towards that goal.

We are also strengthening our position as the STEM talent partner of choice for companies seeking talent to make the transition. In 2021, we delivered six #STEMSeries events to STEM professionals, including our candidates. These focused on skills related to the low-carbon transition and supported the professional development of our existing talent pipeline. In addition, we launched our green careers community programme, collaborating with clients to deliver activities that inspire young people to enter a green career and therefore help meet the growing demand for talent.

As a business and talent supplier we acknowledge the importance of our own actions in tackling climate change. We continue to annually reduce our carbon emissions and we were ranked 69 in the Financial Times Climate Leaders European listing as a result. We understand the importance of addressing climate change to remain a supplier of choice, to attract talent to our business and to mitigate climate risk.

Delivered through

Maintaining our focus on best practice in ESG to become recognised as a sector leader.

Strategic pillar

Our platform

Further details on the action we take can be found in Responsible business section on pages 60 and TCFD Report on our website.

Trend 4: Digital transformation

There is nothing more motivating than necessity. When the pandemic hit, many companies discovered their business models ceased to be viable and they had no alternative but to digitise. Scott Galloway, a professor of marketing at NYU Stern, has argued that ten years of e-commerce growth happened in the first six months of the pandemic.

Clients acquired new technology to build their online presence and new communication systems for a more distributed, remote workforce. Meanwhile, data science and artificial intelligence ('AI') enablers became critical as computer-assisted analysis is indispensable to capturing rapidly shifting trends, digesting real-time data and helping businesses make informed decisions at the right time.

Technological automation is enabling businesses to implement complex change so they can become more sustainable, improve their resilience, introduce cost efficiencies and strengthen business continuity. However, to work successfully with complexity, businesses need to learn new skills and build greater problem-solving and strategic-thinking capabilities.

Supply chains were tested during the health crisis and new supply models emerged with redesigned IT infrastructure and reconfigured production lines and processes. There is a continuing demand to improve supply chain resilience and sustainability, and the resilience of customer interfaces.

In this way, digital transformation finds itself at the heart of value creation. Organisations that fail to adapt their strategic thinking and decision-making to keep pace with these drivers for greater technology adoption risk losing out and becoming irrelevant.

How we are responding to evolving trends

We continued to work with our clients to support their need to stay ahead of the technological curve by sourcing and delivering STEM talent, such as tech skills linked to AI and data science.

An example of the speed of change last year was US retail, where major players, who had been slow to embrace online commerce, had to urgently act. We placed many people to help US retailers offer improved e-commerce experiences.

More and more companies are demanding STEM skills candidates with business aptitude, able to make the link with the operational environment for which they develop solutions. We find those candidates. Our extended network of specialised consultants has continued to build the capacity to find and develop STEM talent and assist clients with their strategy to retain that talent.

Delivered through

Sourcing and delivering STEM talent.

Strategic pillars

Our platform

Our markets

See Strategic overview: Our platform and Our markets sections for more information.

Our business model

Delivering sustainable growth

Why we exist

Our purpose is central to everything we do. We exist to 'bring skilled people together to build the future'.

What we do

We source and place STEM talent across three major sectors: Life Sciences, Technology and Engineering.

Key resources

People – SThree employees

Our people's skills, experience and values.

People – STEM talent

A general 'pool' of available in-demand candidates and the specific candidate communities across our chosen markets.

Financial position

Strong operating cash flows, supplemented by debt and equity when appropriate.

Intellectual property

Deep knowledge of changing demand for specialist skills, and local knowledge of employment regulations and emerging employment trends.

Geographic footprint

Presence in STEM markets where technological change is at full speed and demand for contract roles outstrips supply.

Platform dynamics

Continuous improvement of our operational platform to drive scalable growth.

Social and relationships

Our business model is built around communities. Local communities provide a source of potential talent and in return, through our services, we provide quality inclusive opportunities for work and economic growth.

Our most valuable stakeholder relationships are with our employees, clients, candidates and the local communities we operate in.

How we operate

1. We build specialist STEM candidate communities via multi-channel campaigns: career development fairs, industry events, networking, thought leadership, digital marketing and other targeting techniques.
2. We serve our clients via a localised and flexible approach giving regard to client preferences and complex regulatory landscapes across all regions.
3. We earn fees mainly on a recurring basis. 75% of Group net fees are Contract fees, earned on an ongoing basis for the duration of the contract, with the Group paying contractors and retaining a portion of the amount charged as a service fee. 25% are Permanent fees, charged as a percentage of the candidate's salary when a candidate is placed with a client.
4. We are a highly cash-generative business. We invest it back into growing the business and delivering a regular dividend stream.
5. We work with clients who are at the forefront of tackling climate challenges, whilst investing in our own renewable energy business and managing our own carbon footprint towards the Net-Zero economy.

   In line with our 'Care then act' operating principle we accelerate our DE&I plans and launch new incentives to support well-being and health of our people.

Creating value for our stakeholders

Underpinned by the ethos of the United Nations Sustainable Development Goals.

Candidate communities

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

22,073
candidates placed during the year.

Clients

Sourcing diverse talent for our clients and closing the significant skill gaps in key markets around the world.

>8,000
clients around the world

50
net promoter score

People

In 2021, we employed over 2,700 people in 14 countries across 44 offices. We provide purposeful employment to our employees and are committed to developing diverse talent within our business.

5.5%
operating profit invested in our people development

Shareholders

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

31.9p
EPS

85.6
TSR

Communities

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

4,210
people accessed career support programmes

1,850
hours volunteered in local communities

Environment

We source the talent needed to build a sustainable future, partnering with clients to support the transition to a low-carbon economy. Our own ambition is to reduce our absolute emissions by 20% by 2024.

-44%
reduction in CO_2 emissions YoY

Strategy overview

Our position

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

Stakeholders

- Our people
- Our clients and candidates
- Our shareholders
- Our local communities

Key performance indicators we track

- Revenue
- Net fees
- Adjusted profit before tax

Progress on 2021 priorities

- Continued to focus management attention on driving scale in our five core markets.
- Ensured our 14 countries are focused on the correct skills segments.
- Reinforced our marketing communications capability with new talent.
- Community outreach to promote STEM careers and build a diverse talent pipeline.
- Conducted global client and candidate survey to gain market insights.
- Published thought leadership articles.

Initiatives and immediate priorities for 2022

- Convey our value proposition more clearly and consistently.
- Drive thought leadership, making it part of business-as-usual with industry-leading whitepapers and robust research.
- Maintain and improve our global candidate community of STEM professionals engaged by our consultants.
- Expand our STEM career pathways programming for underrepresented communities, to grow our diverse talent pipeline.

Our platform

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

Stakeholders

- Our people
- Our clients and candidates

Key performance indicators we track

- Adjusted operating profit conversion ratio
- Adjusted cash conversion ratio

Progress on 2021 priorities

- Maintained discipline in investment decisions and prioritised capital for most rewarding markets and organisational improvements.
- Increased our internal capability for managing our technology and operational estates.
- Enhanced our data-driven decision-making.
- Completed 'as-is' process mapping on how we manage our ECM in our core five markets in preparation for process improvement and automation.
- Introduced new procurement strategy.
- Improved efficiency and carbon reduction by moving to cloud-based technology to support hybrid-working.

Initiatives and immediate priorities for 2022

- Support the front office with data insights delivered through new sales process and supporting systems.
- Reinforce our technology stack through tactical upgrades and deployment of new front-office capability.
- Continue investment in countering cyber threats.
- Continue to improve our middle/back-office capabilities, and plan to refresh our processes, people and systems to support our global contractor community.

Our markets

To be a leader in markets we choose to serve

Stakeholders

- Our people
- Our clients and candidates
- Our shareholders

Key performance indicators we track

- Customer net promoter score ('NPS')
- Total shareholder return
- Adjusted basic earnings per share ('EPS')

Progress on 2021 priorities

- Increased market share in the USA, the Netherlands and Germany, three out of our five core STEM markets, while maintaining share in the UK and Japan.
- Continued the growth trajectory in Japan and launched a proposition in the Engineering sector.
- Invested to support the Technology opportunity in the USA.
- Outperformed competitors in STEM sectors.
- Contributed to sustainable supply chains and grew our renewable energy business.
- Grew our ECM offer to meet the demand for flexible contract working.

Initiatives and immediate priorities for 2022

- Continue focus on market share growth in our key territories.
- Continue to reinforce processes, systems and governance within our regional operational functions based on local legislative changes.
- Evolve the way that we go to market using more developed segmentation approaches, particularly with large enterprise clients.

Our people

Find, develop, and retain great people

Stakeholders

- Our people
- Our local communities

Key performance indicators we track

- Year-end sales headcount/turnover
- Female representation in key sales roles
- Employee net promoter score ('eNPS')

Progress on 2021 priorities

- Rolled out new digital learning solution and learning academies.
- Introduced new Leadership Development programme.
- Developed a new onboarding and training strategy and programme.
- Launched new global reward structure.
- Refreshed our approach to employee feedback.
- Improved talent acquisition and succession planning processes.
- Implemented a number of global and local DE&I initiatives.

Initiatives and immediate priorities for 2022

- Adapt our office environments to support hybrid working, employee engagement and productivity.
- Embed our inclusive culture.
- Implement sales compensation rewards scheme in our key markets.
- Spread best talent acquisition practices across the Group.
- LMS - drive adoption of the digital academies.
- Introduce a 'Leading with Purpose' programme.
- Continue to embed the Talent and Succession planning framework.
- Develop career pathways for key sales and core function roles.
- Move to quarterly employee pulse surveys to ensure more frequent feedback.

Strategic progress

Our position

Science

Technology

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

Engineering

Mathematics

Strategic positioning

Coming out of the pandemic, we are more confident than ever in our focus as a global leading STEM talent specialist.

Covid-19 stimulated a worldwide growth in demand for STEM skills. The health crisis saw a rapid growth in life science investment. Lockdowns triggered huge acceleration in digital working and living, increasing demand for technology skills. When the economic bounce-back arrived, companies began investing in supply chain resilience. As the end of the pandemic nears, new challenges are driving STEM demand, as consumer behaviour, changing government policy, and discussions at COP26 have put tackling climate change at the top of the agenda, triggering spending on infrastructure upgrades and renewable energy driving demand for engineering talent. Across all markets and sectors, demand for STEM skills remains robust.

Clients increasingly require this STEM talent for projects on contract forms of employment. Focusing on STEM skills sectors has allowed us to develop the types of temporary employment structures that meet employers' needs, while remaining compliant with local legislation. Thus, we believe we have a unique position for both serving clients and candidates' career aspirations.

Focusing management attention on driving scale in our five core markets

In 2021, we applied our focus and continued to invest in the five most attractive STEM markets: USA, UK, Netherlands, Germany and Japan, which returned to growth strongly during 2021. That focus, and increasing our scale in these markets, was rewarded in our performance as economies rebounded, and we grew our pressure with major clients across our footprint.

Ensure our 14 markets invest in growth skills segments

Clients and candidates value the premium STEM-focused service we offer, providing hard-to-source, leading talent. Our specialist consultants understand the STEM skills that our clients need and have candidate networks that offer the right skill set. Conversely, candidates value our consultants' insights into the changing dynamics of skill sectors. Developing very niche knowledge of STEM specialisms is key to our expert positioning and underpins our Value Proposition. We are proud of the way we nurture this expertise through our SThree training programmes - see Our People section on page 48. Our aim always is to build deeper candidate relationships that are essential to our sustained growth.

Reinforce our marketing communications capability with new talent

Our marketing and communications team have evolved with the hiring of two new Senior Leadership Team ('SLT') members – a new Corporate Affairs Director and a Chief Marketing Officer. Together, they will define a clearer differentiation for SThree and promote our value proposition with the aim of achieving long-term competitive advantage.

Community outreach to promote STEM careers and build a diverse talent pipeline

In 2021, we continued to grow our community outreach programmes to grow and diversify the STEM talent pipeline. Over 2,227 people attended our community programme to increase gender representation in STEM industries, benefiting from knowledge sharing, networking, skills development and community.

We delivered career support to 4,210 people across our regions providing insights and advice on STEM careers and employability skills. Our career support initiatives were delivered in collaboration with non-profit organisations, supporting people from underrepresented communities who are at more risk of exclusion from STEM career paths.

Strategic progress continued
Our position continued

Conducted global client and candidate survey to gain market insights

We monitor customer satisfaction by commissioning an annual survey of more than 20,000 customers which generates a customer net promoter score ('NPS'). We gather feedback from our customers on our service, insights into new patterns of demand and other trends in job markets that allow us to better tailor our service and product proposition.

The strides we have taken to improve our operational execution are demonstrated in the stability of our NPS, which stood at 50 at the year end, down just two points on the prior year. For more details on NPS see page 54 of the Key performance indicators section.

Thought leadership articles and research

Demonstrating thought leadership is essential to becoming recognised as the major player in our field. Our go-to-market brands created local content pieces on how our STEM disciplines contribute to clients pursuing their ESG policies.

In the US, we published articles on offshore wind projects in development as well as sustainable investing in the fintech sector, while our Netherlands team wrote about big pharma sustainability.

In Germany, our 'How Germany Works' study revealed that many young people believe their social background can prevent them from securing a job. It also looked at the demand for skilled workers, the benefits of diverse teams and the importance of specialist STEM roles in solving the world's most pressing issues.

We ran pieces by our UK Commercial Director, Charlie Cox, about IR35, advising how contractors and employers can best mitigate the risk of workers being judged employees by the tax authorities. We also made a written submission to the House of Lords Finance Bill Sub-Committee on off-payroll reform/IR35 after we conducted a survey of our clients and contractors in the UK market.

Strategic progress continued

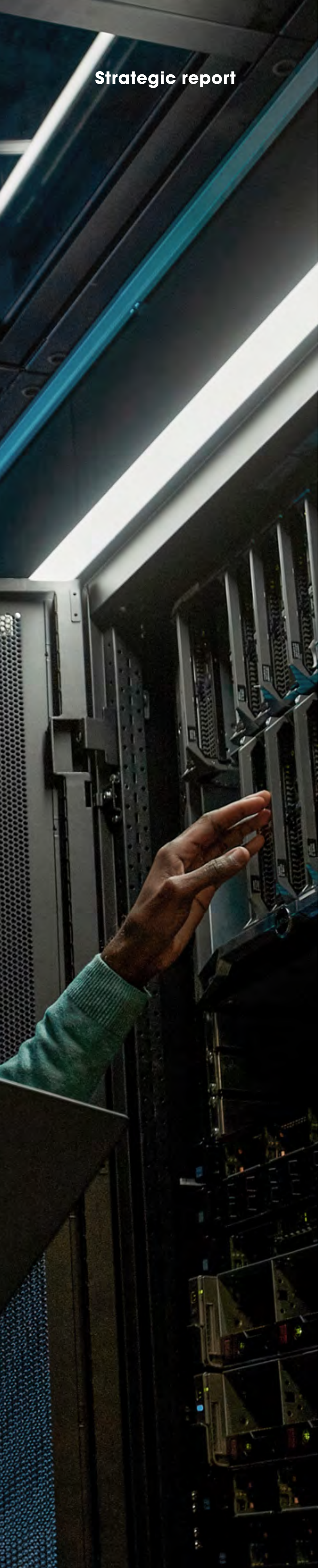
Our platform

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

"Working with data helps us understand our business more effectively and importantly it helps us stay tapped into what the big trends are in the industry: the workforce of the future, of course, but also global supply chains, digitisation, advanced robotics and automation, AI, cybersecurity, renewables."

Timo Lehne
Interim CEO

Entering 2021, our businesses were braced for a challenging year and many of our functions were charged with 'doing more with less'. We revised our strategic portfolio roadmap and delivery plan to prioritise strategic change initiatives and related enablers. Focus continues with the discovery work we commenced in the previous year to sustain our growth and innovation in our core.



Maintain discipline in investment decisions and prioritise capital for the most rewarding markets and organisational improvements

We continued to instil discipline in investment decisions and prioritise capital for both the most rewarding markets and organisational improvements through our Portfolio Governance Group[1].

Due to the unprecedented challenges that the pandemic has brought, and the subsequent acceleration of long-term secular market trends, our capital allocation strategy has evolved, prioritising strategic investments to build a sustainable operational stack for the future of our business. The strategy supports disciplined investment of capital within the business and encourages the pursuit of strategic choices that deliver economic value and help drive scale in our core markets.

Maintaining a strong balance sheet with solid, investment-grade credit metrics remain the Board's top priority; pressures of the external environment, ongoing competition in the recruitment industry and rapidly changing customer needs, led the Directors to continue looking to build business resilience through a controlled portfolio of strategic investments.

Increasing our internal capability for managing our technology and operational estates

One of our 2024 long-term ambitions is to improve our operational productivity. By investing in technology, automating processes or moving them to the cloud we aim to free teams to focus on key, value-added tasks. We are working towards a tightly defined set of investment priorities that will deliver a modern and efficient operational platform that will go live in stages over the coming months and years.

This portfolio of strategic programmes prioritises digital enablement, candidate placement and efficient onboarding, and the improved use of data for decision-making. We made significant progress in designing a scalable operational platform, which supports compliant customer service.

Strategic programmes are supported by the newly transformed Group Procurement function.

1 The Portfolio Governance Group is responsible for transformation programmes and their alignment with the broader Group strategy.

Strategic progress continued
Our platform continued

Supported data-driven decision-making

Increasingly, we have taken a more data-driven approach to defining opportunities. To support this data-driven decision-making, we hired our first Chief Data Officer, allowing us to build capability of data collection and analysis into our core operations, and launched a series of commercial dashboards to more tightly manage contractor engagements and lifetimes.

Completed 'as-is' process mapping and made tactical improvements, laying the groundwork for broader systems investment

The events of the past two years showed us that digitisation can help overcome some of the challenges of remote operations by facilitating hybrid working. It also helps us create new innovative experiences for our customers. Although investment in more comprehensive digital transformation was curtailed by cash conservation in response to Covid-19 market disruption, we did the ground work to support new systems and processes.

Many key processes were revised to break down silos, reduce highly manual workflows, lower compliance risk, encourage greater cross-functional collaboration and deliver improved customer service through reduced operational friction in our key Employed Contractor markets.

New procurement strategy

We developed a new procurement strategy that will drive ongoing cost efficiencies whilst allowing us to deliver services more effectively. Additionally, we wanted the new approach to foster transparent and unified behaviours and practices across the Group consistent with our ESG and DE&I policies.

Improved efficiency and carbon reduction by moving to cloud-based technology to support hybrid working

The Covid-19 pandemic accelerated our technological transformation. The majority of our staff set up remote offices in their homes and found real efficiency and collaborative benefits. We committed to the new hybrid world of work early in 2021 with the introduction of a remote-by-default policy whilst still ensuring office space and technology was available for human interaction and connectivity.

We invested in Group-wide communication technology that achieves both cost savings and productivity gains. We also built and implemented tools and associated software designed to optimise online collaboration, file sharing, video/audio conference and training. To support the increased use of tech, we enhanced our IT department capabilities so they can better handle the demands of remote-working employees.

As a result, our teams have become more agile and better equipped to work together globally. Virtual meetings allow a wider workforce to meet and share ideas. Initiatives have been launched across the business on collaboration platforms which allowed us to run workshops and work together across offices and markets.

Senior Leadership Team benefited from this increased participation in virtual meetings as it made broader consultation easier to achieve, resulting in improved decision-making.

"We invested in Group-wide communication technology that achieves both cost savings and productivity gains. We also built and implemented tools and associated software designed to optimise online collaboration, file sharing, video/audio conferencing and training."

Nick Folkes
Chief Technology & Information Officer

Strategic progress continued

Our markets

To be a leader in markets we choose to serve

"What we have discovered through the pandemic is that STEM talent is less cyclical than other types of employment. All markets are cyclical and will no doubt be affected by underlying economic conditions, but STEM talent is at the forefront of changing the future of the world and we believe that it is impacted less on the downturn and bounces back quicker on the upturn."

Andrew Beach
CFO

Our strategy is to ride two trend tailwinds: demand for STEM skills and increased demand for flexible, contract working. Strategically, we are focused on growing our market share in the largest markets for STEM skills: the USA, the Netherlands, Germany, the UK and Japan. As demand for specialist STEM skills, and flexible working, is growing in these markets, this strategy continues to serve us, our clients and our candidates well.

Increased market share in three of our five core STEM markets while maintaining share in two

In 2021, our adjusted operating profit was higher than achieved before the health crisis in 2019, and up 106% in constant currency on the prior year. This was driven by better market conditions, high demand for STEM skills and increased contractor working hours that improved productivity.

We recorded a strong operating profit and substantially outperformed most of our benchmark competitors, winning revenue market share in the USA, the Netherlands and Germany, while maintaining share in the UK and Japan.

In the UK, although the market was challenging, we saw growth in public sector demand; overall net fees were up 8% in constant currency for the year. We are seeing progress and encouraging productivity gains as well as take up for a new offering – managed services – where we source complete project teams on a contract basis.

The Netherlands has seen the growth of Amsterdam as a technology hub, and it has a large energy sector. There is strong demand for skills within the Technology, Life Sciences and Engineering sectors making the country one of our five core markets. We saw good growth in the demand for STEM talent in Engineering sector during the year.

Continued the growth trajectory in Japan and launched a proposition in Engineering sector

In Japan, we saw our net fees grow by 27% in constant currency YoY, driven by the Technology and Life Sciences sectors. Here, the main demand is for permanent employment, though the market is changing. Japan has many multinational companies with a need for engineering, technical and life science disciplines making it a significant market with great potential. Global staffing firms have typically placed ex-pats in Japan to do specific projects. However, by far the larger market is for domesticated Japanese and we are positioning ourselves increasingly as a local player to serve domestic clients.

Strategic progress continued
Our markets continued

Invested to support the technology opportunity in the USA

In the world's biggest STEM market, the US, although there are life science and technology specialisms where we are a significant specialist talent provider, we remain relatively small compared to our peers. This presents a huge opportunity and we have invested in our talent and infrastructure to grow our share of this market, taking on senior experienced hires as well as growing at more junior levels.

With the strategy established and the infrastructure in place, our focus in all our five core markets is on flawless execution. We will seek to be the go-to partner for companies looking for niche STEM skills by investing in our people's knowledge of these specialisms so we can build stronger candidate and client relationships. And we will seek to promote our flexible working product opportunities to meet clients' need for compliant resourcing of contractors.

We operate in nine other markets beyond the core five, which benefit from the investments in Group systems, processes and training, ensuring sufficient resources for each of the opportunities pursued.

Outperformed competitors in STEM sectors

We focus on STEM sector talent to allow us to outperform our more generalist competitors in resourcing these most sought-after specialists.

The Technology and Life Sciences sectors have been particularly strong this year, with net fees up 23% and 25%, in constant currency, respectively.

Within Technology, skills such as mobile applications, software development and business intelligence have seen increasing demand as businesses focus on rebuilding their supply chains and transitioning towards more digital operations.

Life Sciences has seen significant growth throughout the pandemic and remains in demand. As health delivery scales back up after lockdown disruptions, that sector has also grown and is becoming increasingly digital, which requires more technology specialists. Across our markets we saw strong demand for clinical operations, quality assurance, clinical research and development skills.

Contributing to sustainable supply chains and growing our renewable energy business

The call for STEM expertise is coming from a broader client base than ever before. Emerging trends and the remodelling of business practice needed to achieve net zero requires STEM expertise. Climate challenge and increasing pressure to shift to a low-carbon economy have triggered investments in infrastructure upgrades, renewable energy and product development across the globe, promoting the need for new engineering talent, particularly in geographies with strong net-zero ambitions, including the EU and the USA.

There is growing demand on businesses to build sustainable supply chains and pressure is mounting on suppliers to meet the sustainability goals and expectations of clients on their journey to net-zero. Our CDP score, climate reduction action, and our Financial Times Climate Leaders 2021 placing, mean we demonstrate strong environmental credentials to help make SThree the talent supplier of choice.

Climate-related scenario analysis and the changing market and political landscape during the transition have informed our strategic and financial planning. By 2024 we aim to double the size of our global renewables business. We will measure our progress using two metrics: the percentage of net fees generated through renewables clients (primarily from Energy sector) versus Group net fees, and the number of candidates we place in low-carbon roles.

In 2021, our renewable energy net fees were up 22% in constant currency YoY.

Growing our ECM offer to meet the demand for flexible contract working

The requirements of clients and candidates are becoming more complicated. Clients are looking to minimise the regulatory risks of contractors being deemed employees. Contractors are keen to be treated as employees while moving between different companies. They also want to minimise the administrative burden involved in contract work.

Our Employed Contractor Model ('ECM') addresses both needs and is becoming increasingly popular. ECM, where contractors are directly employed by SThree rather than the client, has many benefits including the removal of complexity and compliance concerns for clients. ECM also allows clients to streamline their talent supply chains at a time when they need ways to lower their cost bases. It is the predominant model in the USA and fast growing in Europe.

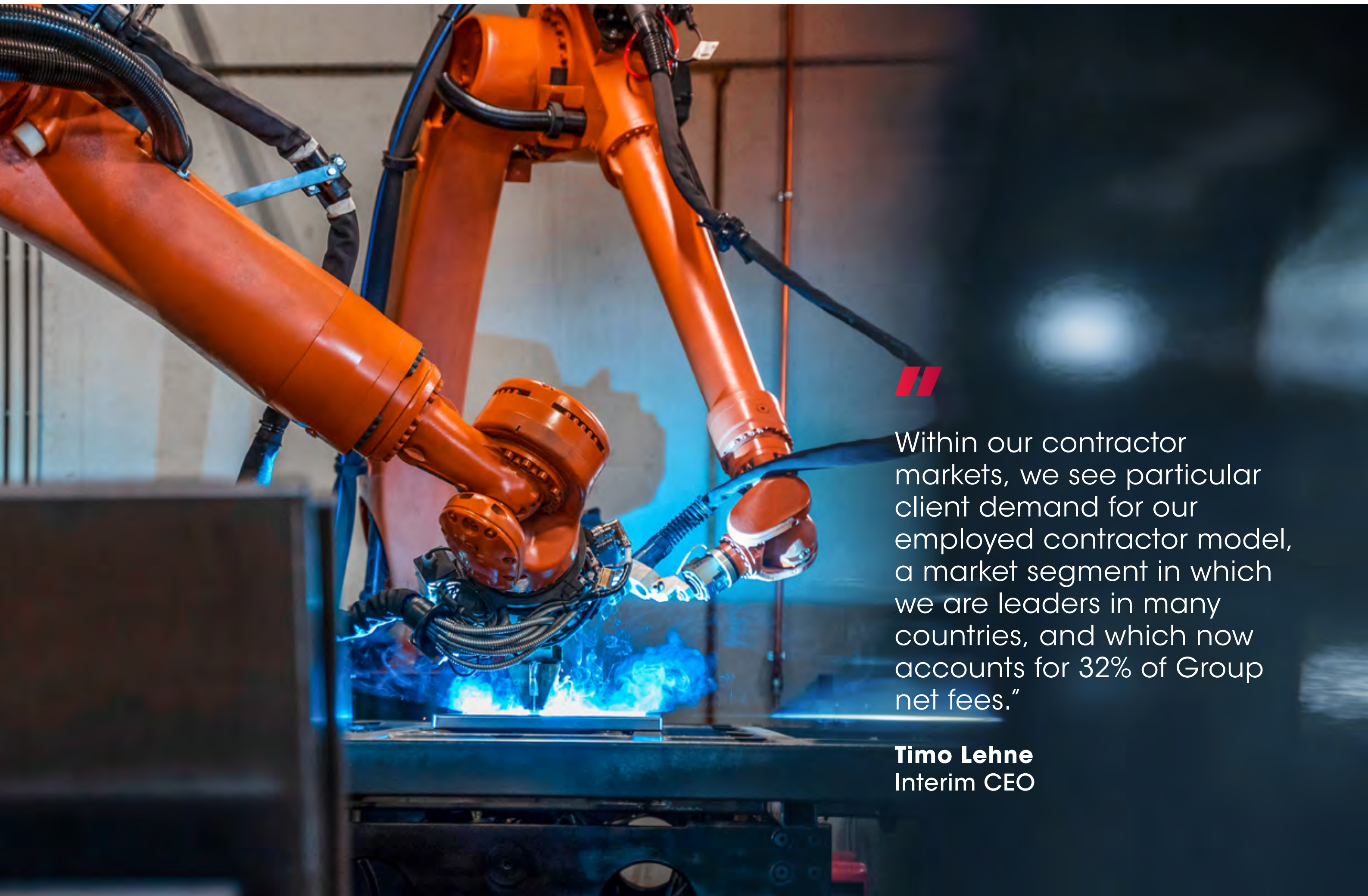
Market shifts towards ECM – Group net fees per type of placement

Type of placement	**2021**	2020	2019
Independent contractors	**43%**	46%	51%
ECM	**32%**	30%	23%
Permanent	**25%**	24%	26%

We have seen ECM grow as a proportion of our Contract net fees from 23% in 2019, to 30% in 2020, reaching 32% in 2021.

We believe ECM will ultimately become the preferred choice for most clients, but it requires us to operate differently. Under the ECM model, we assume full employer responsibilities for the contactor as our employee. We are subject to national employment regulations with evolving legal requirements. It is a more 'asset-heavy' model with higher support requirements as we manage our contractor base as employees.

To fully take advantage of the market shift to ECM we are investing in a scalable and regionally compliant ECM infrastructure with robust controls and operational processes. In Germany and the Netherlands, where ECM is far outstripping the independent contractor market, we are investing in and redesigning supporting systems. In the UK, we plan to work on a clear proposition for ECM (PAYE) and an operational support team to help address changing client demands as a result of IR35 regulations. In the USA, our most mature ECM market, we have been investing in our pay and bill platform for scalable and compliant expansion in contractor numbers.



"Within our contractor markets, we see particular client demand for our employed contractor model, a market segment in which we are leaders in many countries, and which now accounts for 32% of Group net fees."

Timo Lehne
Interim CEO

Strategic progress continued

Our people

Find, develop, and retain great people

"

Our success comes from fostering an environment that is inclusive, empowering, and safe for everyone. We create a positive work atmosphere where we celebrate our differences, encourage speaking out, taking action, and having zero tolerance for any forms of discrimination. It's our priority to make sure everyone feels like they can fully belong at SThree."

Matthew Blake
Chief People Officer, SThree

Roll out new digital learning solution and learning academies

In July we launched our new digital learning management system, the SThree Academy, which provides access to learning for all employees across an increasingly wide range of content including sales training, core skills, management and leadership development, compliance training, health and well-being.

Introduction of new Leadership Development programme

We ran a Leadership Development programme for 50 leaders and senior managers and launched our second Women in Leadership development programme, IdentiFy+. When designing these programmes, we gather employees from across the organisation – different functions, countries and regions – so people who ordinarily would not meet get to collaborate and learn together.

New global reward structure

To align incentives to longer-term corporate objectives and our CMD 2024 ambitions, we moved towards rewarding our people based on broader organisational and collective performance results, rather than purely individual performance. Making rewards longer-term was another priority. That is now being achieved for all employees through the introduction of a Company-wide share plan.

Refreshing our approach to employee feedback

Previously we sought feedback on how our people felt about working for SThree via an annual eNPS survey. Recently we moved to a new engagement tool through a third-party supplier, Peakon, a leader of employee engagement in the marketplace. In 2021, our new annual survey format included 50 questions, covering a wide range of topics including DE&I, health and well-being, strategy, reward and line manager feedback. The survey was entirely confidential, and the insights were shared with line managers, and with their HR business partners they are building clear action plans based on the feedback.

> At SThree we are creating differentiated accessible learning for all to ensure our people and business are fit for the future."
>
> **Paul Dempsey**
> Global Head of People Development & Organisational Effectiveness

Better talent acquisition and succession planning processes

To develop our talent acquisition strategy, we audited current practice early in the year and found processes varied massively across the Group. We identified some key areas for focus including data and systems and education awareness. We will be introducing targeted training around how to avoid bias and are working on a new strategy which we expect to deploy in 2022.

We introduced a new talent and succession planning framework for our Top 100 leaders in 2021 and will embed this new approach in 2022 before we start to extend and deploy it further across the organisation.

Implementation of a number of global and local DE&I initiatives

In November we won 'Company of the Year' in the 2021 European Diversity Awards, the only company in the recruitment sector to be recognised. We are on track to achieve our goal of being the leader for DE&I in the staffing industry. However, there is still much we want to do.

Our DE&I mission is to make STEM industries more diverse, accessible and equitable to help solve the complex global issues that need STEM talent. In August, we launched our Global DE&I policy and an accompanying vision statement. It is a contract between us, our clients, our candidates and our suppliers, setting out where we stand on DE&I. The policy, and the extensive communications that accompanied its launch, is part of an emerging suite of resources that we are using across our business to guide our people to fulfil our commitment to DE&I.

Our four-year DE&I strategy was signed off in 2020 and is centred around three priorities:

Strategic progress continued
Our people continued

Priority 1:
Increase representation of diverse groups at all levels, with a specific focus on leadership

One way we are increasing representation across our business is through our female development programme, 'IdentiFy+' which opened for applications in October 2021. The first IdentiFy+ programme was launched in 2017 with 25 women. 15 are still working at SThree and all have been promoted since and will act as mentors for the new generation of women joining IdentiFy+.

In addition, we partner with community organisations tackling barriers to employment for underrepresented groups, offering work experience and entry level opportunities. One partner was Black Professionals Scotland. Together, we offered summer internships for graduates in 2021. As a result of the programme, two interns landed extended employment contracts in SThree's Operations Department.

Promotions and career progression audits

Between March and September, we have run audits across our HR processes to examine if there were any key trends that we needed to identify from a gender perspective. We have looked at the data as well as holding lived experience conversations to really understand where there may be systemic barriers that are holding women back. Outputs will feed directly into our people strategies in 2022.

SThree gender diversity

The gender and wider diversity balance across SThree as a whole has remained stable. We previously established a bold aspirational commitment to achieve full gender equality in managerial roles across our businesses by the end of 2024. As of 30 November 2021, female representation across the Group stood at 49% (2020: 49%) and at 40% at the Director/manager level (2020: 36%). There were 590 Directors and managers, including the Senior Leadership Team, within the Group, of which 236 or 40% were women (2020: 208 or 36%).

This is a solid improvement on the prior year that demonstrates progress made in taking practical steps to increase diversity in all parts of our business, especially in key sales roles.

Gender diversity profile as of 30 November 2021

		Male		Female	
	Total	Number	%	Number	%
Non-Executive Directors	4	2	50%	2	50%
Senior Leadership Team ('SLT')	10	6	60%	4	40%
Directors and managers	580	348	60%	232	40%
Other employees	2,141	1,024	48%	1,117	52%
Total	**2,735**	**1,380**	**51%**	**1,355**	**49%**

For more information on the composition of our Board of Directors, see pages 100 to 101.

Group gender diversity profile as of 30 November 2021

Male 51%
Female 49%

Management[1] gender diversity profile as of 30 November 2021

Male 60%
Female 40%

1 This measure covers all female leaders as a collective group from all sales cohorts Level 1 to Level 5, and all core functions - Directors and managers, including SLT.

Helping leaders counter bias

Working with our Learning and Development Team we designed and delivered leadership executive bias training to our main Board, our Senior Leadership Team and all of the regional leaders across the business, with over 395 hours of training. This achieved the target we set ourselves for 2021 by 92% of the team attending the training with plans to reach the remaining 8% in 2022.

The new SThree Academy ensures we can roll out DE&I training to a broader audience, and we are building a specific DE&I curriculum. We also have a calendar of six 'bite-size' training modules on specific DE&I topics. To give one example: we have just designed and delivered a module on the use of pronouns in the workplace. It was designed in collaboration with our LGBTQIA+ & Allies Employee Resource Group. So all our people have a better understanding of the correct use of pronouns and can communicate inclusively with confidence.

Priority 2: Create a more inclusive environment by actively valuing difference and realising the power of allyship

Employee resource groups ('ERG') are one of our main tools for achieving allyship - encouraging people in the Group to support each other and share their experiences. These employee-led communities come together and meet every month and often involve other groups or allies in the business to broaden their impact. We invest in their capability, sending ERG leads on external learning courses where they develop their skills on how to make their ERG more outcome-led, driven and sustainable. In return, the business engages with the ERG's to input on systemic policy development and process changes. The African American ERG, for example, consulted on the global DE&I policy and helped refine our anti-discrimination policy.

The first ERG in the USA, the LGBTQIA+ (lesbian, gay, bisexual, transgender, queer, intersex and asexual +) group, was formed in 2020, followed by our African American ERG and Women's ERG. In 2021, three new groups were formed including AAPI (American Asian Pacific Islander) ERG, Unidos ERG, which represents our Latin and Hispanic community and our Parents ERG.

Network and ERG

Across our global business there are just over 200 of our people who are involved in DE&I networks and ERG. We have DE&I ambassadors and members of ERG who work with their local DE&I and ERG leads to raise awareness around diversity initiatives across their region.

Education and DE&I awareness

To keep the DE&I agenda top of mind and give our people the information they need to support our goals, we held nine global and local webinars this year. Over 1,600 people attended in total across all the events. On International Women's Day we looked at The Value of Inclusive Leadership and differing leadership styles with four senior internal women leaders at SThree. Another webinar was titled, 'Building communities through Employee Resource Group' where local ERG's shared their experiences and advice on how and why ERG's are important at work. Mental well-being, and how issues present in the workplace, were the focus of the third webinar. The final session held in Pride Month, with an external specialist Matthew Beard, Executive Director of All Out - a global non-profit organisation dedicated to the human rights of LGBTQ+ communities all over the world. Matthew shared with our people the ongoing challenges this community faces, and how to be an ally all year round.

Priority 3: Place greater emphasis on action led by countries and functions across the organisation

Local targets focus minds and take the DE&I from theory into practice. In Japan we have achieved a 57% majority Japanese national representation and 43% Japanese leadership since opening our offices. National diversity in this market is commercially important in order to meet client expectations and strengthen local cultural connections. See the Our markets section on page 44 for more details.

In the UK&I Sales business, which has its own target of 40% female representation for gender balance across all roles, we ended the year with 42% and have seen one senior woman promoted this year into a country Director role in Ireland.

External partnerships help accelerate progress

We work with external organisations and take part in initiatives where we see opportunities to accelerate progress in DE&I. In the USA, Sunny Ackerman signed SThree up to the PwC sponsored CEO action pledge which commits us to lobby for policy change at the federal, state and local levels in support of DE&I. In the UK, we are in a supporting partnership with Investing in Ethnicity, which helps employers advance racial equity. In France we have entered into a partnership with the Association Française des Managers de la Diversité. This helps us advance local DE&I drivers and puts us in touch with other organisations in terms of benchmarking and resource sharing.

Celebrating events and community outreach

We have a global calendar of set events we celebrate every year with contributions from Employee Representative Groups and regional DE&I networks. International Women's Month in March, for example, is marked with a series of events and a webinar which over 465 people from our business attended. We ran similar webinars for Pride in June and several other events across the year. Black History Month in the USA and the UK were both celebrated with a large programme of activities, including resource packs, external paid speakers, internal communications highlighting and profiling diverse talent at SThree and in the US a fundraiser for 'Young, Black & Lit' a Chicago based non-profit that is changing the narrative of how black children learn about themselves and their culture in literature.

Key performance indicators

We assess our performance across a wide range of measures and indicators that are consistent with our strategy and investor proposition.

Our key performance indicators ('KPIs') provide a balanced set of metrics that give emphasis to both financial and non-financial measures. These help the Directors assess performance against our strategic pillars.[1]

Our position

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

Revenue

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

Why it is important

Sustainable performance in revenue embodies our success in growing and retaining our customer base which is important to our business model.

2021 performance

£1.3bn ↑ **14%**

2021	**£1.3bn**
2020	£1.2bn
2019	£1.3bn

Revenue grew by 14%[2] as compared to 2020 and 3% as compared to 2019 with the main contributors being USA and DACH regions. The increase is due to good progress made across the Group led by USA and DACH in Life Sciences, Technology and Banking & Finance sectors. Our resilient business model and strategy, positioned at the centre of the secular trends of STEM and flexible working, has continued to drive this excellent performance.

Net fees®

Revenue less cost of sales from continuing operations.

Why it is important

Net fees is one of our fundamental financial measures as it indicates how our business is performing over time, measured as net fees growth on a constant currency basis.

2021 performance

£356m ↑ **19%**

2021	**£356m**
2020	£309m
2019	£338m

Group net fees were up this year by 19% as compared to 2020 and by 9% as compared to 2019. This growth was driven by Contract business across all regions which was up by 17% primarily in Technology, Life Sciences and Engineering sectors and our Permanent business which was up by 24% showed significant growth in USA and DACH regions which was mainly driven by Life Sciences and Banking & Finance sectors. On a reported basis, net fees were affected by £11.3 million in unfavourable FX headwind due to the weakening of our two main operational currencies, US dollar and Euro, against Sterling.

Adjusted profit before tax®

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

Why it is important

Adjusted profit before tax ('PBT') is a measure of our underlying profitability, our efficiency on how we manage our cost base. Delivering profitable growth is essential as we aim to create value for all our stakeholders over the long term.

2021 performance

£60.0m ↑ **111%**

2021	**£60.0m**
2020	£30.1m
2019	£59.1m

Adjusted PBT increased by 111% as compared to 2020 and 7% as compared to 2019, mainly driven by the post-pandemic recovery in the trading conditions across all regions, additionally boosted by higher-than-usual productivity per head. This reflects the Group's effectiveness at controlling costs in the business, together with the degree of investment being made for future growth and dependency of the Group's business model on an experienced management pool to enable flexibility in resourcing and senior management succession planning.

1 KPIs accompanied by symbol ® are used for the Executives' remuneration, as per the policy approved by shareholders at the 2021 Annual General Meeting.
2 Unless specifically stated, all growth rates in financial KPIs are expressed in constant currency and exclude Australia, which the Group exited in Q4 2020.

Our platform

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

Adjusted operating profit conversion ratio®

Operating profit before adjusting items stated as a percentage of net fees, from continuing operations.

Why it is important

Adjusted operating profit conversion ratio measures the Group's effectiveness in managing its investments for future growth and controlling costs.

2021 performance

17.1%

↑ **7% pts**

2021	17.1%
2020	10.1%
2019	17.8%

The ratio has increased to 17.1% as compared to 10.1% in the previous year as a result of strong recovery from the economic downturn experienced in 2020. This was offset by a moderate increase in operating expenses mainly related to personnel wages and commissions, in line with the growth in contractor order book and new IT project spend. The ratio has not yet reached the pre-pandemic level of 17.8% in 2019.

Adjusted free cash conversion ratio®

Cash generated from operations for the year after deducting tax paid, net interest costs and rent payments, stated as a percentage of adjusted operating profit.

Why it is important

Cash conversion ratio measures the Group's ability to convert profit into cash through the careful management of working capital.

2021 performance

40%

↓ **137.4% pts**

2021	40.4%
2020	177.8%
2019	68.3%

We significantly improved adjusted EBITDA in response to the increase in underlying trading performance. However, more cash has been absorbed into working capital due to a higher rate of growth in the contractor order book across our markets and sectors, partially offset by a strong focus on cash collection.

Key performance indicators continued

Our markets

To be a leader in markets we choose to serve

Customer net promoter score ('NPS')®

NPS is a metric that measures candidate and client experience of working with SThree, and their loyalty to the Group. The score is the percentage of promoters minus the percentage of detractors.

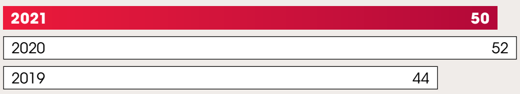
Why it is important

NPS helps us measure and improve the customer experience and draw meaningful insights into how our candidates and clients view their relationships and engagement with our business.

2021 performance

50

↓ **2 pts**



Overall, we saw a small decline of two points in our global NPS score versus 2020, but still the current year score is an improvement when compared to 2019 and very strong compared to global averages across all industries.

During the year we maintained an ongoing dialogue with our clients and candidates. In total, we received over 13,500 responses to our customer surveys, which guided us in how to better understand changing customer priorities and expectations.

Customer demand for more personalised, valuable, and immediate service has grown post the initial pandemic period. In response, we aim to invest in new technologies and solutions which will help us add value to our customers and the overall recruitment processes. With strong focus on investing in infrastructure, talent acquisition and our global go-to-market propositions, we will continue to show our support and flexible approach when meeting the new and evolving needs and expectations of our customers.

Total shareholder return ('TSR')®

The growth in value of a shareholding over a three-year period, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date.

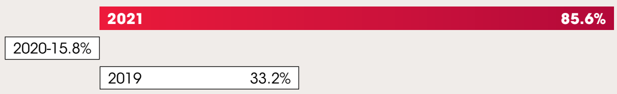
Why it is important

TSR is a valuable KPI to measure and assess the Group's performance in the delivery and maximisation of long-term value for shareholders.

2021 performance

85.6%

↑ **101.4%**



During the assessed three-year period (2018–2021), SThree plc's share price was subject to high-market volatility and uncertainty in the fallout from the severe pandemic.

Notwithstanding it, the Group's business model and its strategic focus on two long-term secular trends in recruitment, accompanied by a strong trading performance delivered by the Group in 2021, were viewed by the market as key enablers of sustainable value creation. This, in turn, translated to a sharp rise in SThree plc's share price in 2021, outperforming the comparator basket of recruitment companies.

Adjusted basic earnings per share ('EPS')®

Profit after tax before adjusting items, for continuing operations divided by the weighted average number of shares in issue during the year.

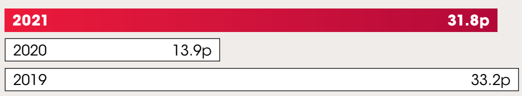
Why it is important

EPS is a standard investor measure of Group's profitability to assess return of our business versus share price. Internally, EPS is also used for the vesting assessment of the Group Long-Term Incentive Plans and tracker share settlements.

2021 performance

31.8p

↑ **143%**



Adjusted basic EPS has grown significantly over the prior year, thanks to improvement in adjusted PBT and a decrease in effective tax rate. It was further influenced by a 0.2 million increase in the weighted average number of shares in issue, at 132.3 million (2020: 132.1 million). Adjusted basic EPS is below the pre-pandemic level of 33.2 in 2019, mainly because of increase in weighted average number of shares over the past two years.

Our people

Find, develop, and retain great people

Year-end sales headcount/turnover®

Headcount turnover is calculated as the number of leavers in a year as a percentage of the average sales headcount.

Headcount is based on full-time equivalent heads in place at the year end.

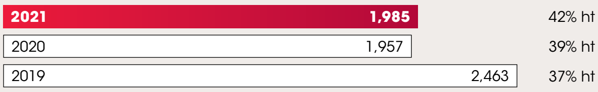
Why it is important

Headcount turnover is important to achieve our strategic growth plans and expand efficiently. Therefore, we must attract and retain sufficient headcount, building the experience pool and avoiding retraining.

2021 performance

1,985 heads

42% headcount turnover ('ht')



In 2021, we saw an increase of three percentage points in the Group's sales headcount turnover ratio. This was primarily driven by France, the UK and the USA businesses which all saw high competition for talent locally following the economic rebound and increased demand for experienced recruitment skills. Going forward we will build on the progress we have made to embed the right people strategy, by investing in learning and development platforms, launching new reward schemes, providing the right balance in hybrid work and offering ambitious career progression opportunities.

Female representation in key sales roles®

Female representation in a particular sales cohort (e.g. Level 3 or Level 4) is calculated as the number of female employees at each job level as a percentage of the total headcount at that job level at the year end.

Why it is important

It is a measure of a gender balance within the Group and an indicator of our strategic growth plans leading to a diverse leadership team.

2021 performance

	Result	
	Level 3	**Level 4**
Year	Sales Business Managers	Sales Directors
2021	34%	14%
2020	34%	14%
2019	31%	11%

Levels of women represented in sales leadership roles remained stable YoY. In line with the Group's DE&I policies, we continued to make various investments across the business to develop our female employees and nurture an inclusive work environment. We measured our current make-up and set challenging targets for gender, aspiring to increase gender representation at leadership levels to 50/50 by 2024.

Employee net promoter score ('eNPS')

Annual employee survey that captures regular feedback from our people about their experience of working at SThree.

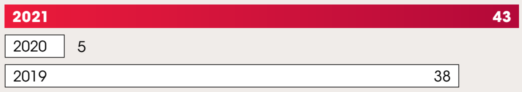
Why it is important

Employee engagement is a key enabler of our strategy and performance. Our success is reliant on having a motivated and engaged workforce which helps productivity and encourages retention of key talent within the business.

2021 performance

43

↑ 38 pts (27 pts on like-for-like basis)



Our average global eNPS increased across sales and support functions. The eNPS questions produced a high score of 43. However, due to a changed methodology applied in 2021 the direct comparison with the prior year result is partially obscured. Had the survey methodology not changed, our global eNPS would have been 27 versus 5 on a like-for-like basis.

Overall, our people recognised the continued efforts and clear strategic focus of our business in the post-pandemic times. We obtained positive scores for provision of flexible work arrangements, clear goal setting, career development and our commitment to equality in the workplace. Key themes that we need to develop and invest in include pay and reward schemes, systems, and technology to reduce workload. Our people also told us that they valued the work we are doing in DE&I but that we need to do more on our health and well-being agenda.

Business review

DACH

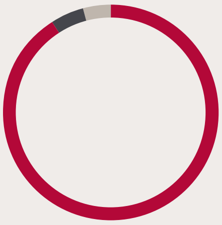
(36% of Group net fees)

Performance highlights

	2021	2020	Variance Reported	Variance Like-for-like[1]
Revenue (£ million)	453	372	+22%	+25%
Net fees (£ million)	129	106	+22%	+24%
Average total headcount (FTE)	823	895	-8%	N/A
NPS	56	55	+1pts	N/A

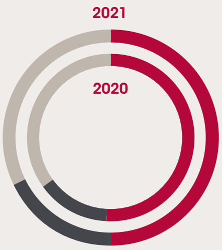
1. Variance compares 2021 against 2020 on a constant currency basis, whereby the prior year foreign exchange rates are applied to current and prior financial year results to remove the impact of exchange rate fluctuations.

Net fees mix
By country (2021)



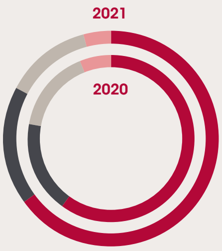
Germany	91%
Switzerland	5%
Austria	4%

Net fees mix
By division



2021		2020	
Independent contractors	50%	Independent contractors	51%
ECM	18%	ECM	14%
Permanent	32%	Permanent	35%

Net fees mix
By sector



2021		2020	
Technology	65%	Technology	60%
Life Sciences	18%	Life Sciences	18%
Engineering	13%	Engineering	16%
Banking & Finance	4%	Banking & Finance	6%

Market presence

DACH is the largest region of the Group and represented 36% of Group's net fees in 2021 (2020: 34%).

The year was characterised by excellent market recovery due to strong demand for a flexible workforce.

Market demand for specialists in the fields of Technology, Life Sciences and Engineering increased dramatically, with Technology representing the largest share of the business at 65% followed by Life Sciences at 18% and Engineering at 13%.

A key feature of the year was the growth in ECM revenue, which now accounts for 18% of net fees, up nine percentage points versus 2019. ECM will continue to be strategically important going into 2022 due to the growth in customer demand for this solution, coupled with the higher margins it delivers.

Performance

The DACH region delivered a strong performance in the year with net fees up 24% YoY like-for-like. Technology, our largest sector in the region, was up 34%, driven by demand for infrastructure and open-source software development roles, while Life Sciences was up 25%, with demand for laboratory staff and quality assurance roles continuing to increase.

Germany, our largest country in the region, delivered strong net fees growth of 23%, with the Contract business growing 28% and Permanent up 15%.

Switzerland and Austria also grew strongly up 28% and 43% YoY respectively, both driven by the Technology sector.

Outlook

The prospects for the DACH market are very encouraging. We believe that the shortage of skilled workers, especially in STEM professions, will ensure an increasing demand for the talent we provide. As one of the top three STEM providers in the region, we have an excellent platform to continue to grow, addressing market demand and delivering sustainable value for candidates and clients. Our strong investment focus on ECM will also allow us to meet increased market demand for flexible workers and strengthen our drive to be the leader in these markets.

EMEA excluding DACH

(36% of Group net fees)

Performance highlights

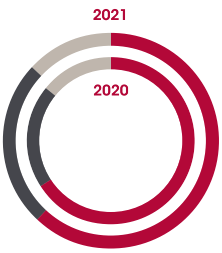
	2021	2020	Variance Reported	Variance Like-for-like[1]
Revenue (£ million)	606	589	+3%	+6%
Net fees (£ million)	127	118	+8%	+9%
Average total headcount (FTE)	899	1,105	-19%	N/A
NPS	46	53	-7pts	N/A

1. Variance compares 2021 against 2020 on a constant currency basis, whereby the prior year foreign exchange rates are applied to current and prior financial year results to remove the impact of exchange rate fluctuations.

Net fees mix
By country (2021)

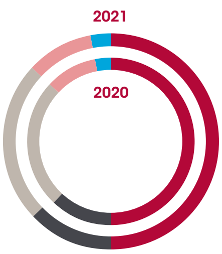
Netherlands	44%
UK	30%
France	9%
Belgium	8%
Dubai	4%
Other	5%

Net fees mix
By division



	2021	2020
Independent contractors	62%	66%
ECM	25%	20%
Permanent	13%	14%

Net fees mix
By sector



	2021	2020
Technology	50%	50%
Life Sciences	13%	12%
Engineering	24%	25%
Banking & Finance	10%	10%
Other	3%	3%

Market presence

EMEA excluding DACH is the joint largest region of the Group and comprises businesses in Belgium, Dubai, France, Ireland, Luxembourg, the Netherlands, Spain and the UK.

Overall, the market position of the segment is strong. There has been a growing demand for STEM talent within all the geographies and markets that it serves, particularly within the Technology and Life Sciences sectors.

Strong demand for Technology skills in both the private and public sectors was mainly attributable to accelerating investments in technology transformation by our clients.

Within Life Sciences demand across pharmaceuticals, as well as medical devices, provided an 18% growth versus 2020 and 14% growth versus 2019.

Performance

The segment saw net fees grow by 9% YoY like-for-like, as a result of a significant recovery in trading in the second half of 2021.

The Netherlands, our largest country in the region, finished the year strongly with net fees up 19%, due to solid performances in Technology, up 15%, which was driven by demand for SAP and ERP specialists, as well as cybersecurity experts. Engineering was up 28% YoY, mainly due to demand for project management and quality assurance skills, as well as health, safety and environment roles.

Net fees in the UK were up 8% YoY reflecting strong sequential quarter-on-quarter improvement throughout the year. This was driven by Technology, up 11%, as demand increased for skills such as business analysts, project managers and product owners.

We also saw net fee growth of 12% in Ireland driven by Life Sciences, and 14% in Dubai driven by Banking & Finance.

Outlook

We have set strong foundations in 2021 to continue our growth, despite the pandemic and we aim to continue our momentum into 2022. STEM talent is critical across our core sectors in the region and is in short supply. Whilst competition is fierce and STEM talent is hotly contested, we expect demand for talent to accelerate across core STEM verticals and geographies and underpins our growth prospects across the region.

Business review continued

USA

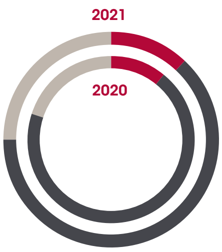
(25% of Group net fees)

Performance highlights

	2021	2020	Variance Reported	Variance Like-for-like[1]
Revenue (£ million)	254	228	+11%	+19%
Net fees (£ million)	89	77	+16%	+24%
Average total headcount (FTE)	472	500	-6%	N/A
NPS	53	51	+2pts	N/A

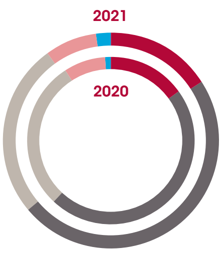
1. Variance compares 2021 against 2020 on a constant currency basis, whereby the prior year foreign exchange rates are applied to current and prior financial year results to remove the impact of exchange rate fluctuations.

Net fees mix
By division



	2021		2020
Independent contractors	12%	Independent contractors	11%
ECM	63%	ECM	69%
Permanent	25%	Permanent	20%

Net fees mix
By sector



	2021		2020
Technology	16%	Technology	15%
Life Sciences	48%	Life Sciences	47%
Engineering	26%	Engineering	29%
Banking & Finance	8%	Banking & Finance	8%
Other	2%	Other	1%

Market presence

The USA is the world's largest specialist STEM staffing market and our third-largest region. It remains a key area of focus for the Group, and we will continue to invest strategically in the region as we align our resources with the best long-term opportunities.

The ever-increasing demand for technology and for e-commerce, as well as being a partner for Salesforce, drove the growth of the segment's client base within the sector.

2021 saw a significant increase in the demand for clinical research and quality assurance personnel. With the surge in medicines and devices that have approvals to enter the manufacturing phase, we expect this trend to continue through 2022.

Power infrastructure and gas distribution saw record levels of investment in 2021 to minimise environmental impacts as well as maximise safety and efficiency. This gave us a strong pipeline of demand, which is expected to continue into 2022.

Performance

The USA segment delivered an excellent performance in 2021 with net fees up 24% YoY like-for-like. There was good growth in Contract of 16% driven by Technology, and a very strong performance in Permanent, up 53%.

Technology was the strongest sector in the region with growth of 35% YoY.

Life Sciences, our largest sector in the USA, also saw a strong performance throughout the year with net fees up 25%.

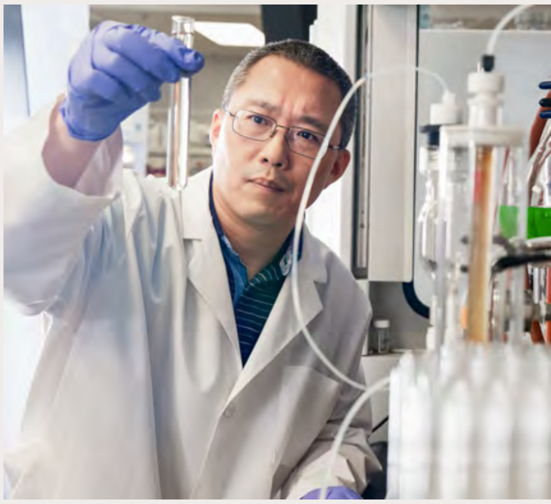
Engineering was up 11%, driven by an increase in roles in renewables' sectors such as wind and solar farms as well as battery storage.

Outlook

The focus in 2022 will be to capture market share through continued growth within our target vertical markets of Technology, Engineering and Life Sciences. We expect to deliver growth in productivity through efficiencies achieved in key customer accounts and client and candidate acquisitions, as well as through sales and marketing initiatives and continued investment in Learning & Development programmes that drive retention and career development and enable hybrid working.

Asia Pacific

(3% of Group net fees)



Performance highlights

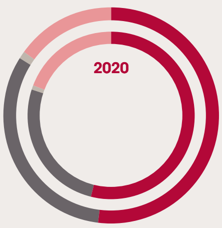
	2021	2020	Variance Reported	Variance Like-for-like[1]
Revenue (£ million)	18	14	+29%	+31%
Net fees (£ million)	10	8	+25%	+34%
Average total headcount (FTE)	111	103	+8%	N/A
NPS	31	27	+4pts	N/A

1. Variance compares 2021 against 2020 on a constant currency basis, whereby the prior year foreign exchange rates are applied to current and prior financial year results to remove the impact of exchange rate fluctuations.

Net fees mix
By country (2021)

Net fees mix
By division

Net fees mix
By sector



Market presence

Our APAC business principally includes Japan and Singapore.

2021 was an encouraging year for the region with net fees returning to growth following the impact of Covid-19 in 2020.

Performance

Total net fees for the region were up 34% YoY like-for-like, with a 64% increase in Q4 YoY. Our two largest sectors showed strong growth with Technology up 29% and Life Sciences up 63%.

An excellent performance in Japan saw net-fee growth of 27% which was driven by Technology sector, up 29% YoY, and Life Sciences sector, up 48% YoY.

Singapore net fees were up 54% driven by Banking & Finance, up 33% YoY, and Life Sciences, up 80% YoY.

Outlook

We will continue to invest in our business in the region as we look to position ourselves to take advantage of market opportunities. We will strengthen our position in STEM with a clear focus on Technology and Life Sciences, in line with our strategy.

Responsible business

Empowering a sustainable future through STEM

Delivering sustainable value to all of our stakeholders and thinking about the environment and society in everything we do.

ESG considerations are embedded in our strategy. As a specialist STEM recruiter we are at the forefront of delivering the skills needed to build a sustainable future, while our diversity, equality and inclusion policies ensure that we are putting people first.

By delivering against ambitious environmental and social targets (see table on page 61) we can demonstrate how we are leading our industry in defining what it means to be a responsible and sustainable employer, both for our colleagues and in society.

Environmental responsibilities

We take our role in tackling the climate emergency seriously. By working to reduce our own emissions we are making positive long-term commitments to the environment and society.

We're actively seeking new clients in the renewable energy sector, supplying them with sought-after specialists to tackle the climate emergency, in turn delivering positive outcomes and contributing towards the UN Sustainable Development Goals where we can have the most impact.

Providing quality impact data is a key outcome for our ESG Committee to ensure we have credible action and accountability and in 2021 we published our first Impact Report. This year we were honoured to be recognised as a climate leader by the Financial Times in its inaugural listing of European Climate Leaders, which details the top 300 companies that achieved the greatest reduction in their greenhouse gas ('GHG') emissions intensity between 2014 and 2019, placing 69th.

As an early adopter of the robust Taskforce on Climate-related Financial Disclosures ('TCFD') reporting standard, we have carefully analysed our response to the changing market and environment in which we operate. See page 64 for more details.

Putting people first

We are building a future that works for all of us by putting people first. By investing in new business opportunities and talent development within our markets we are delivering economic growth and employment opportunities. Through this we aim to have a positive impact on society beyond simply what our clients and candidates can achieve.

We set challenging targets for diversity, equality and inclusion and in November 2021 were awarded Company of the Year at the 2021 European Diversity Awards. We also committed to driving awareness of green careers among young people through our Green Skills Insight Programme.

Gemma Branney
Global Head of ESG
28 January 2022

ESG targets and progress

In 2020, we announced ESG targets to hold ourselves accountable within the areas of our strategy that will have the biggest impact on business performance and our stakeholders as a whole. We are committed to transparent reporting to show progress and outcomes related to these targets.

To positively impact 150,000 lives by 2024

Progress

55,771 lives positively impacted by SThree since 1 Dec 2019

2021 activities

22,073 accessed decent work through SThree placements

4,210 accessed our career support programme

2,227 accessed community programmes we delivered

2,709 accessed career development opportunities hosted by SThree

1,850 hours of volunteering supported people in our local community

Alignment to strategic pillars

Deliver sustainable value to our candidates and clients

Find, develop and retain great people

Sustainable Development Goals

Doubling the share of our global renewables business by 2024

Progress

46% growth in our renewables business net fees since 2019 (baseline year)

2021 activities

22% growth in our renewables business net fees YoY in 2021

Established a global renewable energy network to drive business development on a global scale.

Alignment to strategic pillars

To be a leader in the best STEM markets we choose to serve

Sustainable Development Goals

To reduce our absolute carbon emissions by 20% by 2024

Progress

-71% carbon reduction in 2021 from 2019 (baseline year)

2021 activities

-44% carbon reduction in 2021 in comparison to 2020

(*Please note Covid-19 restrictions continue to impact our offices and therefore carbon emissions.)

Expanded our scope 3 carbon reporting and delivered our TCFD Report.

Alignment to strategic pillars

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

Sustainable Development Goals

We aspire to increase gender representation at leadership levels to 50/50 by 2024

Progress

31% women in leadership positions[1]

2021 activities

Turnover of women slightly increased by 1% in 2021, however, we did increase the level of women represented in our Senior Leadership Team ('SLT') roles.

We also launched our IdentiFy+, a leadership development programme to support emerging women leaders across the business.

Alignment to strategic pillars

Find, develop and retain great people

Sustainable Development Goals

1 This measure covers all female leaders as a collective group from sales cohorts Level 3 (Business Managers) and Level 4 (Directors), core functions – Directors only, SLT, NEDs.

Responsible business continued

Environment – Building a sustainable future

As global attention turned to the COP26 summit, our own approach was influenced by the climate-related scenario analysis we completed in the first quarter of the year.

We contribute to addressing climate change in two significant ways: by reducing our own carbon emissions and ensuring our clients have access to the talent they need to transition to a low-carbon economy. Every organisation and value chain will be disrupted by the transition to a low-carbon economy. We provide the STEM talent that will make that transition possible – the only global talent specialist to do so.

In 2020 we launched a target to double the size of our renewables business by 2024 to ensure we support the energy transition which is required at pace to achieve global net-zero targets.

Details of our own carbon emissions and how we have reduced our emissions by 44% in 2021 can be found on page 67 to 68.

Resourcing the transition to a low-carbon economy

Through climate-related scenario analysis we identified the climate risks and opportunities facing the business. We also qualified the business opportunity of being the talent partner for companies transitioning to low carbon. An estimated 19 million new energy roles will be needed by 2030[1] to facilitate the transition of the energy sector. We are uniquely placed to provide the talent needed to achieve this.

In order to anticipate, monitor and respond effectively to this change in demand, in 2021 we established an internal network of leaders from across the business who specialise in the renewable energy sector. This group collaborates and shares insights, guiding the business to achieve its target of doubling our renewable energy business by 2024.

Green skills insight programme

Not enough young people are choosing STEM subjects at school, pursuing STEM careers or aware of green careers. Building the future talent pipeline to meet the growing needs of the market is therefore one of the core objectives of our community outreach programmes. We want to spark the possibility of a green career amongst young people, whether that is joining the renewable energy sector or building a career in green tech.

In 2021, 87 young people attended our interactive Green Careers insight events where they heard from our clients who work in green sectors – including Scottish Power, Moray East Wind Farm and Bouygues Energies & Services.

As a result of our outreach, 86% of young people said they are now exploring green career opportunities.

1 Source: Renewable Energy and Jobs – Annual Review 2020 (irena.org).

738+
placements in renewable energy

46%
growth in our renewable energy sector (baseline 2019)

-44%
reduction in our carbon emissions YoY in 2021

258
renewable energy professionals joining SThree learning events

Responsible business continued

Task Force on Climate-related Financial Disclosures statement

At SThree we recognise the importance of ensuring long-term sustainability through concerted and transparent climate and environmental action. Our response to the changing market and environment in which we operate is key to our resilience and continued success.

We are committed to providing transparency to our stakeholders regarding the climate-related risks and opportunities which may impact our business, and how we evolve our understanding and resilience in a changing environment, both in relation to our strategy and risk management response. As a result, in 2020 we committed to the early adoption of the Taskforce for Climate-related Financial Disclosure ('TCFD').

In order to align to the recommendations of TCFD we have:

- Implemented a climate-related scenario analysis framework with three key scenarios based on the Network for Greening the Financial Systems ('NGFS').
- Integrated climate change as an emerging risk within the SThree Enterprise Risk Management and governance framework.
- Strengthened our ESG Committee to improve governance and Board oversight of climate-related risks and opportunities, with attendance from our Chair, CEO, CFO and Senior Leadership Team ('SLT'), and the Board receives all ESG papers.
- Published alongside this Annual Report and Accounts a TCFD Report providing a transparent overview for all stakeholders.

Through this work climate change is categorised as an emerging risk and is currently rated as low impact/ materiality. We do however understand the broader risk of climate change on the world and we want to ensure we play our role in minimising the wider implications on society and supporting our clients to make a positive contribution. The table below summarises our approach and progress in 2021 with reference to sources of disclosure both within this report and on our corporate website.

Our separate TCFD Report, which is available on the SThree corporate website, provides our investors and other stakeholders with more detailed information on climate risk. We believe the TCFD Report improves transparency of our disclosure as we have added content about our frameworks and standards that we use to transition to a net-zero carbon-emission future. It also includes more information about our metrics, against which we track our progress and serve as an important basis for continuous improvement, and risk analysis including quantification and stress testing in line with TCFD recommendations. The detail is held in a separate report, as previously stated climate risk is currently categorised as an emerging risk with no current materiality on performance which suggests it is not required in our Annual Report.

Key recommendation	Summary	Disclosure
Governance		
Describe the Board's oversight of climate-related risks and opportunities.	The CEO has appointed the Group Environmental, Social and Governance ('ESG') Committee to identify, mitigate and strategically manage climate-related risks and opportunities to the Group.	Annual Report and Accounts 2021: *Directors' report on pages 146 to 148* TCFD Report on our website ESG Committee Terms of Reference on our website
Describe management's role in assessing and managing climate-related risks and opportunities.	The ESG Committee was strengthened in 2021 with refreshed terms of reference and strategic representation from across the Group, including the Chair, CEO and CFO who have overall responsibility for ESG matters and are responsible for reporting to shareholders and the Board. The ESG Committee is responsible for Group oversight of climate-related risks and opportunities including scenario analysis, risk mitigation, strategic alignment and the Group's Sustainability Strategy, targets and carbon reduction plan. In 2021, the ESG Committee met quarterly and established a workstream focused on implementing a climate-related scenario analysis framework and a secondary workstream focused on understanding net-zero transition planning.	

<table>
<tr><th>Key recommendation</th><th>Summary</th><th>Disclosure</th></tr>
<tr><td colspan="3">Strategy</td></tr>
<tr><td>Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.</td><td rowspan="3">Utilising the NGFS we identified three key scenarios by which we assess the implications of climate change on our business: (1) Renewable-led growth (orderly, 1.5°C aligned), (2) Disruptive change (disorderly), and (3) Fossil-fuelled future (hot house world).

Through quantitative and qualitative research, and data modelling, we tested the resilience of our business and strategy under the three climate scenarios including the identified risks such as:
• physical risks to our locations, property and people;
• risks related to STEM markets, our clients, the talent gap and candidate preferences;
• reputational risks; and
• political risks (e.g. government policy).

Our risks are established under three time frames: short-term (<5 years), medium-term (5-15 years) and long-term (15 years+). Alongside these risks we also identified a number of opportunities surrounding the talent needs for the low-carbon transition and heightening our strong position as a climate action leader.

The key observation from the performed scenario analysis is our strategic resilience to potential impacts under different climate-related scenarios thanks to our flexibility to adapt to changing markets and talent demands.

Overall, as a market taker with an ability to respond to local market changes with relative agility, we find climate-related risks are currently immaterial to our performance. We expect the transition to a low-carbon future to lead to an increase in jobs in renewables alongside other sectors as business models transition. Additionally, new policy and regulation associated with the transition to a low-carbon economy are expected to create new STEM roles which are not currently in high demand, or may not yet exist. These opportunities are particularly prevalent in geographies with strong net-zero ambitions, where we currently operate, including many areas of Europe and the US, given recent investment from the Biden administration.

Accordingly, in 2021, our climate-related scenario analysis informed our strategic and financial planning process and resulted in the following developments:
• The introduction of an internal Global Renewable Energy Network to grow our business aligned to the energy transition and to achieve our growth targets.
• To double the size of our renewable energy business by 2024.
• The introduction of new green skills community programming to build a diverse talent pipeline to address the growing green skills gap.

Further details of the scenario analysis including quantification of opportunities on Group net fees are provided in our TCFD Report. Full details of our assessment of immateriality of climate-related risks can be found in the Risk management section.</td><td rowspan="3">TCFD Report on our website

Annual Report and Accounts 2021:

Risk management on pages 82 to 90

Responsible business on pages 60 to 75</td></tr>
<tr><td>Describe the impact of climate-related risks and opportunities on the organisation’s business, strategy and financial planning.</td></tr>
<tr><td>Describe the potential impact of different scenarios, including a 2°C scenario, on the organisation’s businesses, strategy and financial planning.</td></tr>
</table>

Responsible business continued

<table>
<tr><th>Key recommendation</th><th>Summary</th><th>Disclosure</th></tr>
<tr><td colspan="3">Risk and opportunities</td></tr>
<tr><td>Describe the organisation's processes for identifying and assessing climate-related risks.</td><td rowspan="3">Climate-related risks are identified through scenario analysis, utilising the scenario frameworks and modelling data from the NGFS alongside internal and external data and stakeholder insights.

The ESG Committee is responsible for implementing climate-related scenario analysis, and the risks identified are integrated into the SThree Enterprise Risk Management framework with clear measures, mitigation, controls and governance assigned to each risk. Climate change has been categorised as an emerging risk for the business.

Climate-related risks and controls are reviewed quarterly with escalation to the ESG Committee as required and reviewed annually by the Group Risk Committee. Any risks categorised as red are escalated to the SLT and Audit Committee. The Risk Committee and ESG Committee papers are included in the Board papers with updates tabled at the Board at least annually or as required.</td><td rowspan="3">Annual Report and Accounts 2021:

Risk management on pages 82 to 90

TCFD Report on our website</td></tr>
<tr><td>Describe the organisation's processes for managing climate-related risks.</td></tr>
<tr><td>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</td></tr>
<tr><td colspan="3">Metrics and targets</td></tr>
<tr><td>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</td><td rowspan="3">We monitor our approach to climate change through two metrics; our carbon footprint and reduction actions, and the net fees generated from the renewable energy sector.

SThree reports annually on Scope 1, Scope 2 and Scope 3 emissions. Emissions are calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organisations. Our emissions performance for the previous reporting period are also included in our Annual Report for comparison.

Our carbon reduction plan has seen a YoY reduction in carbon emissions which includes 71% reduction in 2021 from our 2019 baseline year. Please note Covid-19 restrictions continue to impact our offices and therefore carbon emissions.

We have the following targets in place which in 2021 were integrated into our compensation framework:

• Reduce absolute carbon emissions by 20% by 2024 across Scope 1, 2 and 3 (aligned to climate science and a below 1.5°C future). Measured through annual GHG reporting within our Annual Report.
• To double the size of our renewable energy business by 2024 to support the energy transition. Measured through financial performance detailed within our Annual Report (baseline year 2019).</td><td rowspan="3">Annual Report and Accounts 2021:

SECR Report on pages 67 to 68

Our purpose and strategy on pages 6 to 7

Responsible business on pages 60 to 75

TCFD Report on our website</td></tr>
<tr><td>Disclose Scope 1, Scope 2, and Scope 3 GHG emissions, and the related risks.</td></tr>
<tr><td>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</td></tr>
</table>

For more details see our TCFD Report 2021 available on the SThree Group website.

Streamlined energy and carbon reporting ('SECR') 2021

We recognise the importance of monitoring and managing the environmental impact of our global operations and we actively work to reduce our carbon emissions each year. This year, similar to many, our operations continue to be impacted by the pandemic and restrictions in place.

Our location-based emissions reduced by 44% from 2020 and 71% since 2019, the baseline year for our carbon reduction target. We witnessed a 54% reduction in emissions related to our leased transport due to client meetings predominantly being virtual alongside a continued reduction in office and travel-related emissions as a result of pandemic restrictions.

Energy efficiency initiatives

Despite the ongoing pandemic we are actively implementing energy efficiency initiatives and devising ways of working to capture key learnings and energy efficient behaviours for the future. In 2021 we delivered the following emissions and energy reduction initiatives:

- Across our office portfolio we continued to transition our energy to renewable energy, which resulted in the carbon intensity of our electricity consumption falling from 0.30kg CO_2e/kWh to 0.26 in 2021.
- We invested time assessing our car fleet requirements and introduced a new policy to transition our car fleet to hybrid and electric vehicles. The carbon reduction of car fleet in 2021 was predominantly impacted by reduced use, however we have also started to see the impact of our new policy with the number of hybrid and electric cars in our fleet almost doubling in the reporting period.
- In 2020, we introduced a new travel policy which prioritises low-carbon travel options (e.g. rail). In 2021, despite restrictions, we began to see the implementation of the policy in locations where travel was possible. The percentage of travel undertaken by rail increased during the reporting period, particularly across Europe.

Carbon emissions

We are aware of our reporting obligations under The Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and report accordingly year-on-year. We are committed to transparent reporting and progress against our climate-related targets can be found on page 68.

Responsible business continued

GHG emissions (tCO_2e) and associated energy consumption (kWh) for 2021

Emissions Source (tCO_2e)[1]		FY 2020 UK and offshore	FY 2020 Global (excluding UK and offshore)	FY 2021 UK and offshore	FY 2021 Global (excluding UK and offshore)	% change in total emissions (vs previous year)
Scope 1	Natural gas	48	–	26	–	–46%
	Leased transport	13	745	13	335	–54%
	Refrigerant	–	–	26	–	–
Scope 2	Purchased electricity (market/location-based)	44/69	394/441	46/74	269/312	–28/–24%
	Other fuels	–	21	–	22	5%
Scope 3	Water	3	15	1	5	–67%
	Business travel[2]	205	591	29	286	–60%
	Paper	1	7	1	2	–63%
	Waste	4	22	3	18	–19%
	T&D and WTT[3]	26	289	36	204	–21%
Total tonnes of CO_2e (market-based)		**344**	**2084**	**182**	**1142**	**–45%**
Total tonnes of CO_2e (location-based)[4]		**369**	**2131**	**209**	**1185**	**–44%**
Number of employees		639	1969	692	2043	
Tonnes of CO_2e per employee		**0.54**	**1.06**	**0.26**	**0.56**	**–49%**
Total energy consumption used to calculate emissions (kWh)[5]		1,189,920	4,640,962	570,627	2,556,476	–46%

Table 1 – Energy and carbon disclosures for reporting year 1 December 2020–30 November 2021

1. Based on IEA data from the IEA (2021) Emissions factors, www.iea.org/statistics. All rights reserved; as modified by SThree plc.
2. During the reporting period, the Group began the transition to a new travel system, which may have had an impact on the consistency of business travel data. Business travel includes emissions related flights, employee cars, rail and international rail, including well-to-tank reporting recommendations. UK and offshore business travel includes emissions and energy consumption for flights and car hire associated with SThree's Ireland office, as this data is aggregated across SThree's UK and Ireland offices.
3. Emissions from FY 2020 have been restated to include well-to-tank emissions.
4. Totals may not match exactly the sum of the figures shown in the table, due to rounding across all emissions categories.
5. Total energy consumption includes energy consumed for heating (natural gas, district heating), power (electricity) and transport (company leased vehicles, expensed mileage claims).

Methodology

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute ('WRI') Greenhouse Gas ('GHG') Protocol (revised version).
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).
- Office emissions have been calculated using the IEA 2021, DEFRA 2021 issue of the conversion factor repository.

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of December 2020 to November 2021 and using reporting period of December 2019 to November 2020 for comparison.

Responsible business continued

Social – Building an inclusive workforce for the future

Empowering talent and enabling people to reach their full potential is core to our business model.

"It's always very exciting to see other young people talk about innovation and the future – to learn together and to make something better for others. The community in the Global Innovation Challenge has a vision of change and we related to this as we share those same values."

Denis Sigei
Waypoints
Global Innovation Challenge Winner

Empowering change makers

This year we partnered with the Social Shifters Global Innovation Challenge. SThree provided advice, coaching, learning and financial support to 18-30-year-olds with STEM business concepts that solve environmental and social challenges.

STEM skills are key to developing the solutions the world needs to address the climate crisis and address inequalities in healthcare, education and digital inclusion. The 5,454 registered teams produced STEM innovations that could transform markets. Our eight finalists had developed extraordinarily innovative business models. One turned single-use plastic into renewable energy; another used technology to overcome water shortages in Africa.

Elevating our people

We are fostering an inclusive, empowering and safe environment for all of our people. We create a positive work environment where we celebrate our differences and encourage all of our colleagues to reach their full potential. Full details on how we are elevating our people can be found on page 48.

Elevating our community

Everyone who works for us - all 2,735 employees - have 40 hours of paid volunteering leave a year to support their communities. They decide how they will contribute. The wide range of activities last year included beach clean-ups to volunteering at local schools.

SThree also delivers a skill-share programme. We support people from groups impacted by unemployment or underemployment so they can successfully navigate the job market and improve the likelihood of accessing decent work. In 2021, we delivered 1,850 hours of volunteering and supported 4,210 people through resume reviews, job search strategies and career support.

Community events

We frequently run learning events for candidates as well as current and aspiring STEM professionals on new developments that candidates need to be aware of in order to excel in their chosen field. Bringing people together virtually, we facilitate roundtable discussions that build knowledge and insights to support STEM careers.

As a STEM talent industry leader, it is our role to provide support for different minority groups facing prejudice or bias. Where we see this, we will often build a programme which provides ongoing support.

In the US, data highlighted that women were not breaking through to more senior roles in the tech industry. Five years ago, we launched our Breaking the Glass programme dedicated to helping women in tech overcome barriers to career progression. We facilitate regular learning events, overcoming the issues and introducing tactics each community member can adopt. This structured programme is complemented by networking events where women can come together to learn, collaborate and share their experiences and approaches for progressing in the industry. Our recently appointed Senior Managing Director US, Sunny Ackerman sponsors the programme and role models, mentors and shares insights with our community members. In 2021, over 2,122 women participated in the Breaking the Glass community where we co-hosted events with Dell, Salesforce.org and many other STEM leaders who share our ambition to create a more inclusive workforce. Over 95% of our community members rated our speakers extremely or very insightful.

Our long-term goal is to set up further community programmes so that every STEM professional feels there is an SThree community group for them and recognises it as an essential resource for helping them progress in their career.

Responsible business continued

Governance – Building on our business ethics

Providing ethical, compliant staffing solutions is an essential part of our business.

We develop and implement policies and business practices that are underpinned by our operating principles and Code of Conduct. Our operating principles represent the values and behaviours demonstrated throughout our business practices:

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

Our Code of Conduct sets out clear expectations of how to conduct business in an ethical and transparent way, without compromising integrity and professionalism. These promote:

- Ethical handling of actual or apparent conflicts of interest.
- Compliance with applicable governmental laws, rules and regulations.
- Complete, accurate, fair and balanced disclosure in reporting.
- Prompt internal reporting of violations.

Ethical business practices are embedded into every aspect of our operations and are demonstrated through respectful relationships with clients, candidates, suppliers, governments, communities and our people. Ensuring candidates are placed within fair and decent work is a fundamental pillar in the recruitment process. We have a responsibility to all candidates we place to ensure that they are not subjected to bribery, corruption, exploitation, forced labour or modern slavery at the companies they join.

We implemented policies and procedures which are consistent with our Code of Conduct, including our Global DE&I policy, which ensures a working environment in which all individuals are treated with dignity and respect, free from discrimination or harassment, and in which all decisions are based on merit; our Anti-Corruption and Bribery Policy, which enforces effective systems to counter bribery; our Sustainability Policies which mitigate our negative impact on the environment; and our process to monitor the Group's supply chain to mitigate risks of slavery and human trafficking.

Implementation of this is ensured through extensive training and the continuous education of our people. We also mandate that our clients and certain vendors undergo training on our policies and procedures and agree to permit us to audit their practices and compliance in accordance with our policies and procedures.

In the reporting period we have made significant progress in the following areas:

- Human Rights – establishing and launching a new DE&I policy to ensure equality throughout our value chain. Implemented improved supplier processes to reduce the risk of modern slavery and human rights breaches in our supply chain.
- Health & Safety – appointed a new Health & Safety Officer and agreed a strategy to build on our existing practices.
- Data Protection – implemented new mandatory data protection training for all employees.
- Anti-bribery and Corruption – revised and refreshed our current policy.

Although not fully inclusive of everything we do in this area the following key themes demonstrate the policies we currently implement and monitor in this area.

Policy	Key themes	Implementation	Due diligence	Reporting
Anti-bribery and corruption policy	SThree has a zero-tolerance approach to bribery and corruption. The policy describes our values, business behaviours and our commitment to doing the right thing. It outlines measures, governance and controls to mitigate bribery and corruption risk and reporting of breaches to our policy.	Our policies are available to all employees and shared during on-boarding. Policy changes are communicated across the Group and in 2022 we will be implementing further training related to anti-bribery and corruption. We complete financial risk checks on key clients and suppliers which includes identifying any historic or current issues surrounding bribery and corruption.	All employees are required to accept and adhere to the policy. We also monitor the conduct of major contractors and suppliers and have a right of termination in the event that they pay or solicit bribes. Any areas for improvement in this area are shared with contractors or suppliers, based on audits.	Policy roll out and acceptance by email is reported back to the Group HR teams. Where appropriate, areas of non-conformance, measures to correct them, and any disciplinary actions, are included in internal audit reports. No breaches of anti-bribery and corruption policy were reported in 2021.
Human rights Related polices: Code of Conduct Global DE&I policy Procurement Process	We respect the rights and dignity of all people. Our focus is on mitigating human rights violations from our full value chain, whether it be the clients we place talent in or the suppliers who provide services to our business. Our policies set out clear values and principles for every stakeholder to adhere to.	Ethical recruitment is a key theme in the training and continuous learning of all of our people. Through our client and contractor engagements we ensure the right processes are in place to protect our candidates. We conduct checks on new clients to ensure they meet our values and deliver regular check-ins with every contractor to ensure working conditions are as agreed. In addition, we conduct checks on suppliers both during on-boarding and through our supplier relationship management platform.	We have processes to identify, measure and address potential and actual human rights' violations across our business through people surveys, supplier questionnaires and risk assessments and through the whistleblowing service. Employees, contractors or other third parties are required to immediately report any instances of unethical behaviour or suspicion of malpractice to a line manager or a member of the Group HR Team.	Any breaches in human rights are reported to our Chief People Officer and relevant authorities.

Responsible business continued

Policy	Key themes	Implementation	Due diligence	Reporting
Modern slavery and human trafficking Related policies: Modern Slavery and Human Trafficking Statement	Although the risk of modern slavery and human trafficking in relation to SThree is low, we do to an extent monitor our supply chain to ensure we fully understand and mitigate the risk.	In 2021, the Directors assessed the risk of modern slavery in our key areas of operation. We also made appropriate supplier checks around governance and financial standing and determined that the risk of slavery or human trafficking continues to be low within our supplier base.	We have processes in place to: • identify and assess potential risk areas; • mitigate risks occurring in our supply chains; • continually monitor risk; and • protect whistleblowers, via a confidential and independent reporting process.	All risks in this area are reported to our Chief People Officer and where required to the relevant authorities. The Company's Modern Slavery Act statement can be found on our website.
Health and safety ('H&S')	The Group is committed to the health, safety and welfare of all current and potential employees. Key arrangements outlined in the policy are: • risk assessment; • work equipment; • monitoring H&S procedures (inspection/audit regime); • managing third-party contractors; • emergency procedures.	Employees are inducted to the business with an H&S briefing. There is an H&S lead in every office to ensure we continue to provide a safe place for our people and visitors.	Following the events of the last 18 months, we invested in this area by addressing the impact the ongoing health crisis had on our processes and ways of working. We increased the support for our people in areas such as dependant care, absence management, flexible working, and information sharing. A Group-wide leadership team was established covering all geographies to ensure a Group-led risk assessment and analysis process and setting minimum standards for local specific hotspots. We also extended SThree H&S arrangements to cater for employed contractor placements.	H&S concerns and incidents are reported to our H&S leads who promptly act on mitigating these risks with the local leadership teams.

Policy	Key themes	Implementation	Due diligence	Reporting
Whistleblowing policies (both employees and contractors)	Our whistleblowing line/service lets anyone who works for or with us to confidentially report anything that goes against our Code – including bribery, corruption, human rights' violations, bullying or harassment.	SThree's whistleblowing policy, as well as other relevant policies, such as Anti-Bribery & Corruption, the Code of Conduct as well as others are stored publicly on the internal intranet for employees to access, in addition to being included in each employee's on-boarding process.	SThree is committed to conducting its business with honesty and integrity, and we expect all staff to maintain high standards in accordance with our Anti-Corruption and Bribery Policy and our Code of Conduct. All employees are made aware of the policy and their obligations, as well as the internal and external whistleblowing hotlines being available 24/7 for employees to use, if necessary.	SThree has a confidential 24/7 whistleblowing hotline where employees are encouraged to report any instances of alleged fraud, corruption, illegal activity, bribery, criminal offences, damage to the environment, endangering someone's health and safety and miscarriages of justice. SThree commits to providing support for both the data subjects and those who whistleblow, with a comprehensive investigation launched.
Data protection policy	SThree is committed to compliance with the requirements of data protection and other privacy laws relevant to its activities. In order to assist SThree to comply with the requirements of data protection laws, all employees must read and comply with the requirements set out in our Data Protection Policy when undertaking all data handling activities performed on behalf of SThree.	In 2021, SThree launched a Data Protection course to all employees to complete, which tested: • understanding the purpose of the principles; • requirements and liabilities; • the key roles and responsibilities; and • how we implement Data Protection at SThree. Upon successful completion of the course, employees are accredited as Data Protection Certified Level 1.	SThree conducts regular audits of the systems and processes implemented across the Group to validate its business strategy for legal compliance and to determine whether changes in the way SThree handles personal data necessitate updating these systems and processes.	Policy roll out and completion of the mandatory course as part of the 'SThree Academy' is monitored internally. Any breaches in policy are required to be immediately reported to the Data Protection team to investigate.

Stakeholder engagement, including section 172 statement

How the Board complied with its section 172 duty

Section 172 of the Companies Act 2006 sets out a number of general duties that Directors owe to the Company.

These include a general duty requiring Directors to act in a way in which they consider, in good faith, will promote the success of the Company for the benefit of the stakeholders as a whole. We believe that stakeholder engagement is vital to building a sustainable business and recognise the significance of strong relationships with all stakeholders.

Our stakeholders include our employees, clients and candidates, shareholders, and local communities. As part of its decision-making and in consideration of the likely consequences of any planned actions, the Board seeks to understand the needs of each stakeholder group. The Board maintains dialogue through different communication channels, such as regular employee and customer satisfaction surveys, and investor presentations and meetings.

Through working collaboratively with, and listening to feedback from, the Company's many stakeholders, the Board believes that SThree is well positioned to deliver our investor proposition, while responding to increasing stakeholders' expectations.

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

- the Board's strategic leadership of the Group;
- prudent and effective controls to enable proper risk assessment and management;
- Terms of Reference for conduct of the Board's Committees; and
- the Board's processes to create value for stakeholders, including approval of the Group's long-term strategy and ambitions, whilst ensuring that 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 oversees the Company's values and standards, with all Directors acting in a way that would most likely promote the success of the Company, consistent with their statutory duties.

Section 172 statement

The Directors have acted in the way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole and this section forms our Section 172 disclosure, describing how, in doing so, the Directors considered the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006. The Directors also took into account the views and interests of a wider set of stakeholders, including non-governmental organisations.

Additional details of our key stakeholders and why they are important to us are set out in the Strategic report on pages 78 to 81 and separately in the Our Board section of the Governance report on pages 105 to 109.

Further information as to how the Board had regard to the s172 factors

Section 172 factor	Reflected in	Read more on page
Consequence of any Board decision in the long term	Business model foundations that support the generation and preservation of the Company's value. How interests of different groups of stakeholders were considered.	Our business model on page 32 Stakeholder engagement on pages 78 to 81
Interests of employees	How we engage with and reward our people.	Stakeholder engagement on pages 78 to 81 Responsible business, including TCFD on pages 60 to 75 Employee engagement on pages 107 to 109
Our business relationships with suppliers, customers and others	Insight into how interests of different groups of stakeholders were considered.	Stakeholder engagement on pages 78 to 81
Impact of our operations on the community and the environment	Main methods used by the Board to engage with stakeholders.	Stakeholder engagement on pages 78 to 81 Responsible business, including TCFD on pages 60 to 75
Maintaining high standard of business conduct	Insight into the role of culture as a basis for decision-making within our business.	Our business model on page 32 Responsible business, including TCFD on pages 60 to 75 Directors' report on pages 146 to 148
Acting fairly between members of the Company	Principal decisions taken by the Board during the year.	Stakeholder engagement on pages 78 to 81 Investment case on pages 14 to 15 Strategic progress: Our position on pages 36 to 39

Stakeholder engagement, including section 172 statement continued

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

Our people

Why we engage

Our people play a vital role in SThree's ongoing success. Their hard work and commitment to deliver standout customer experiences continue to strengthen SThree's foundations and create sustainable value.

We recognise that employee engagement is essential to enhancing our Company culture, retaining our talent and ensuring the continued success.

Listening to our people's views is critical to the Board's decision-making, and the engagement of employees is a major factor in driving efficiency, strengthening customer relationships and driving a sustainable future.

How we engage

We maintain a constructive and ongoing dialogue with our people through regular employee-led forums, business resource groups, CEO Town Halls and Q&A sessions, as well as the Group intranet, social media channels, webinars and face-to-face meetings.

We organise frequent pulse surveys and eNPS surveys to measure employee engagement, and to understand matters important to our global workforce. The survey results allow the Board to develop relevant people priorities and carry out development plans and strategies.

The CEO and Chief People Officer also engage with the Senior Leadership Team in regular dialogues about people strategy and initiatives to promote and highlight inclusive leadership role models.

Since 2019 Denise Collis, the Senior Independent Non-Executive Director, has been a dedicated Board advocate for employee engagement. Every year Denise runs focus groups to hear about people's experiences and perceptions on a range of topics.

In 2021, to ensure an ongoing dialogue between our people and the Board in times of limited face-to-face contact, Denise hosted a number of virtual events including on Diversity, Equity and Inclusion ('DE&I') and the Group's ESG (environmental, social and corporate governance) strategy and commitments. These focus groups included people from across the global workforce.

The focus group's conversation themes and outcomes feed into global strategies and directly contribute to future action plans.

Our response to key matters raised in 2021

Hybrid working: In close consultations with employees, we introduced a new hybrid world of work, with increased flexibility in work approaches including office schedules, approach to childcare, and reimbursement for home office expenses.

Learning: Alongside this we implemented a new digital-learning management system, SThree Academy, to provide learning on demand for all and certain mandatory training programmes.

Diversity: We created and launched our new DE&I Policy that is linked to our strategy, reinforcing the behaviours we expect from our people.

In line with our 'Care then act' operating principle we have accelerated our diversity and inclusion plans and launched new incentives to support the well-being and health of our people and help them to be more productive, resilient and adaptable under the new ways of working.

For more information on the Board governance activities and outcomes of key decisions see pages 105 to 109.

Strategic pillars

Our position
Our platform
Our markets
Our people

To read more go to Strategic progress on pages 36 to 51, Market overview on pages 28 to 31 and Employee engagement on pages 107 to 109.

Our clients and candidates

Why we engage

Our business plays a pivotal role in building a sustainable future for all. We source, nurture and connect STEM talent with clients who are solving complex world challenges and who contribute solutions to the UN Sustainable Development Goals.

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

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

Our response to key matters raised in 2021

Today's clients and candidates expect to be serviced through digital channels and effective processes.

Faced with the many difficulties related to lockdowns and coming out of the health crisis, our consultants transformed their relationships with clients and candidates into a new hybrid approach blending on- and offline contact. New remote formats of meetings were rolled out, using online collaboration platforms, messaging apps and webinars.

We continued to invest in our operational platform to provide frictionless service to our customers.

Our clients and the market are moving rapidly towards Employed Contractor Model ('ECM') as a preferred method of accessing temporary skilled STEM workers. We set a target to scale our ECM business and to develop robust systems and processes to help us benefit from this emerging opportunity.

How we engage

Our recruiting consultants play a critical role in engaging with our clients and candidates.

They regularly communicate with customers through multiple channels, to understand issues, challenges, opportunities, changing demands and needs.

We also deliver thought leadership articles, issue videos, and organise virtual events and webinars directly with our clients and candidates.

Our #STEMSeries virtual events with panellists from across the markets attract large audiences amongst our clients and candidates. In 2021, we delivered six #STEMSeries events with 2,709 participants. During these events, we shared industry experts' advice and tips on multiple topics relevant to the present market environment, e.g. the future of the workplace, the role of technology, transitioning the energy sector, how to widen the talent pool to close STEM skill gaps; and best practices for cultivating DE&I in the workplace.

Strategic pillars

Our position

Our markets

Our platform

To read more go to Strategic progress on pages 36 to 51 and Market overview on pages 28 to 31.

Stakeholder engagement, including section 172 statement continued

Our shareholders

Why we engage

We aim to instil confidence in our investors and win their long-term support of our business by providing them with complete, accurate and transparent information about evolving market trends, our strategy and key drivers of our operational and financial performance.

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

How we engage

We communicate regularly with our shareholders through our website, the Annual Report, results presentations, trading statements, webinars, and more directly through investor roadshows with one-to-one consultations and group meetings covering both larger institutions internationally as well as targeted sections of the UK private wealth and retail investor community.

We also receive feedback on shareholder views through the Company's stockbrokers and financial advisors.

Throughout the year there is an ongoing dialogue between the Chair, Non-Executive Directors, and the investor community to address environmental, social and governance issues and our performance, with investors also met.

Our response to key matters raised in 2021

We continued to demonstrate our resilience and agility while delivering an exceptionally good performance this year. The benefit of SThree's STEM and flexible working focus continued to resonate with the market.

The Board reinstated dividend following a review of the Group financial position and confirming the capacity of the Company to meet its current and future financial requirements.

Our business continued to selectively extend its global reach; substantially outperforming most of our benchmark competitors and winning market share in the US and Germany.

We are taking advantage of market shifts to ECM that complement our strategy and value proposition, and provide higher quality of earnings, while investing in the infrastructure needed to support and scale this opportunity.

In order to provide transparent disclosure to shareholders on the risk climate change poses to our business we carried out climate-related scenario analysis and tested our resilience within these scenarios. As a result, we have identified both climate risks and opportunities which inform our strategic and financial planning and are integrated into our risk management framework. Our commitment to transparent disclosure led to early adoption of the Taskforce for Climate-related Financial Disclosure ('TCFD') which we have disclosed alongside our 2021 Annual Report.

We also dealt with enquiries regarding the Group's performance, and its sensitivity to emerging trends.

Strategic pillars

Our position

Our markets

To read more go to Strategic progress on pages 36 to 51 and Market overview on pages 28 to 31.

Our local communities

Why we engage

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

Delivering sustainable employment is fundamental to our business. Local communities provide a source of potential talent and in return, through our services, we provide quality inclusive opportunities for work and economic growth.

We also recognise the importance of ensuring long-term value creation through concerted and transparent climate and environmental action. The clients we work with are at the forefront of solving some of the world's most complex challenges. This includes solutions to overcome climate change. Our response to the changing environment, addressing the growing risk of climate change, is not only the right thing to do, but is also key to our resilience and continued growth.

Our response to key matters raised in 2021

We continued to evolve our approach to the environment, society and corporate governance under three key areas of focus: building a greener future, building an inclusive future, and building an ethical business for the future.

We have set ambitious targets to hold ourselves accountable to all of our stakeholders and ensure we deliver positive outcomes for our communities and the environment.

We remain focused on reducing our absolute carbon emissions and nurturing the STEM talent needed to assist the low-carbon transition. Since 2019 we have grown our renewables business by 46%.

Career inequality continues to impact society and the STEM industries we partner with. Improving diversity in STEM will reduce the talent gap, improve business performance and tackle societal issues. In order to improve diversity in STEM we delivered a career support programme, a gender equality programme and learning interventions that positively impacted 9,146 lives in 2021.

How we engage

We bring skilled people together to build the future. Through our work we source, nurture and place talent who solve complex world challenges.

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

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

We use our skills and knowledge to upskill partner organisations and prepare those at risk of unemployment and under-employment for the job market. For example, we deliver STEM Career Pathways, where we partner with education and non-profit organisations to ensure people from underserved communities have access to STEM careers.

Strategic pillars

Our position

Our people

To read more go to Strategic progress on pages 36 to 51 and Market overview on pages 28 to 31.

Risk management

Our principal risks

Risk management is a key part of our business, values and culture. Effective risk management enables us as a business to protect value and proactively manage threats to the delivery of strategic and operational objectives, while enhancing the realisation of opportunities.

Principal risks

1. Macro-economic environment/cyclicality
2. Future growth
3. Commercial relationships and customer risk
4. Contractual liability
5. People, talent acquisition and retention
6. Cyber security
7. Data privacy
8. Regulatory compliance
9. Strategic change management
10. Health and safety

Connecting risk, opportunity, and strategy

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

Covid-19

Navigating the uncertainties of the ongoing Covid-19 pandemic continued to be a priority in 2021. Keeping operations going and the safety of our employees, candidates and clients remained paramount and our risk management helped to shape our approach. With well-established policies and processes in place, management of the Covid-19 response moved from central control by the Group Crisis Management Team to regional oversight in the summer. Covid-19 metrics continue to be monitored by the Senior Leadership Team ('SLT') to ensure the Company can proactively respond to any significant changes in the trajectory of the pandemic and to any Government directed actions. The Company has assessed Covid-19 and does not consider it to be a stand-alone principal risk and instead we effectively manage its impact through articulating its impact, and any required actions, within each of the existing principal risks.

However, we recognise that the pandemic is an evolving situation, and we continue to keep this position under review.

Risk management approach

Our Enterprise Risk Management ('ERM') framework and processes help us to describe, analyse, report and monitor risks and controls at all levels in the Group. We believe that the effective management of risk is based on a 'top-down' and 'bottom-up' approach, which includes:

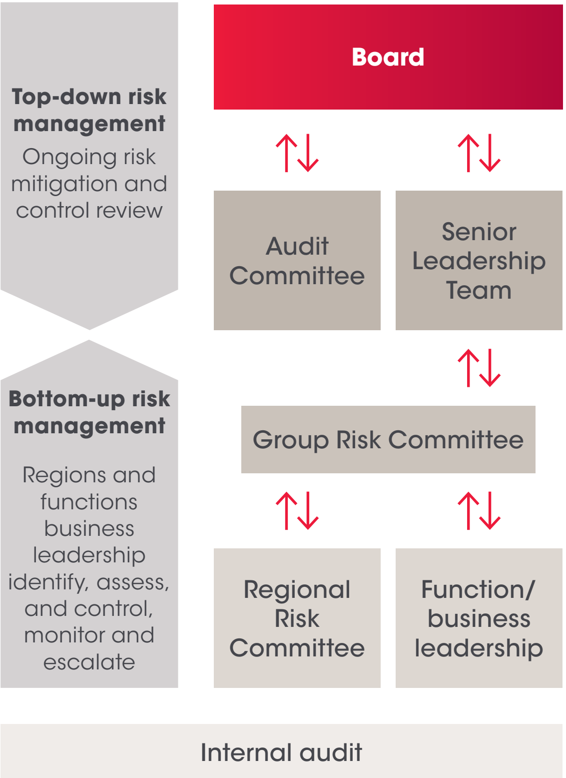
- our strategy setting process;
- the quality of our people and culture;
- established internal controls with assurance via self-verification on the strength of controls;
- processes for reviewing, escalating and controlling risks;
- independent assurance by internal audit and external audit;
- regular oversight by the relevant Committees; and
- reacting quickly to market conditions and the cycle.

Principal and key operational risks are considered and discussed as part of the strategic planning process and principal risks, including current controls and risk appetite statements, are reviewed twice a year by the Board and as part of relevant function or regional updates to the Board.

What we review when assessing our principal and key risks:

- risk ownership: each risk has a named owner. In addition, each principal risk is sponsored by a member of the SLT, who drives progress;
- likelihood and impact: globally applied five-by-five scoring matrix;
- gross risk: before mitigating controls;
- net risk: after mitigating controls are applied;
- risk appetite: defined at principal risk level and categorised into five levels; and
- actions: key controls in place and activities required for further mitigation if required.

All principal and identified key risks are detailed in a standardised statement. This ensures effective review, understanding and monitoring throughout the Group, together with consistency, both in terminology and the underlying assessment itself. As part of the top-down process, an updated assessment was completed for each



Board	Overall responsibility assessing the nature and extent of the principal risks and the Group's risk appetite and to facilitate effective, entrepreneurial and prudent management of the business.
Audit Committee	Responsible for reviewing the effectiveness of the Group's risk management systems and processes. Reviews assurance over mitigating controls.
Senior Leadership Team	Responsible for the review and assessment of the principal risks and recommending risk appetite to the Board. Develops Company strategy in line with Board appetite.
Group Risk Committee	Responsible for monitoring principal and key risks and ensuring effectiveness of regional and function risk management.
Regional Risk Committee	Responsible for reviewing key risks in region are being mitigated effectively and oversight of actions to reduce risks where required.
Function/ business leadership	Responsible for identifying, assessing and mitigating both key and operational risks within their functions/business areas.
Internal audit	Provides assurance on key controls in place to mitigate identified risks and assurance that the risk management and internal control framework are operating effectively.

principal risk by the relevant risk owner, working with the SLT risk sponsor and the Head of Risk Management. Draft statements were then challenged and reviewed in detail by the Group Risk Committee, SLT Committee and by the Board. The outcome of this work is a refreshed view of our principal risks, together with an updated annual review cycle. Principal risks will be reviewed regularly throughout the year, in alignment with the Board reporting agenda. Updates on effectiveness and progress of mitigating actions will be considered at the Group Risk Committee, with reporting to the Audit Committee to provide insight into controls and assurance.

Emerging risks

As part of our ongoing risk management process, emerging risks are reviewed yearly. An emerging risk is defined as a risk that materialises over a period of time, rather than at once, meaning the likely impact of the risk is difficult to evaluate at the time of assessment of the risk.

Health and safety had previously been identified as an emerging risk, as the Company increased its volume of ECM business in different regions. Following substantial growth in volume and proportion of ECM business for the Group, this year health and safety has been elevated to a principal risk for the Group.

Climate change risk, as reported in the 2021 Interim Report, continues to be an emerging risk for the Group. Further assessment on the emerging risk is shown on page 65 and more detail can be found in the separate TCFD Report.

Climate change

SLT emerging risk sponsor: Andrew Beach, Chief Financial Officer.

During 2021, climate-related scenario analysis was delivered across the Group to assess the emerging climate change risks and opportunities to SThree, directed by the Group ESG Committee. The ESG Committee defines and manages the approach to climate change risks and the Group Risk Committee has oversight of the risk through monitoring progress of risk mitigation plans, strength of current controls and key risk indicators.

SThree's existing risk management framework assesses, and scores risks in terms of likelihood and impact. The timeframe used are shorter term due to material impact on strategy and existing performance targets. Climate change will typically impact SThree over a much longer time frame than the time frames considered by our risk management framework and therefore we established time frames aligned to the Network for Greening Financial Systems' ('NGFS') scenarios.

- Short term: up to 5 years.
- Medium term: 5-15 years.
- Long term: 15+ years.

Initial climate-related scenario analysis shows there are no current material risks and exposures that would impact strategy, performance or liquidity and due to the degree of uncertainty on timing and level of impact in a number of climate-related risk areas it remains an emerging risk

Risk management continued

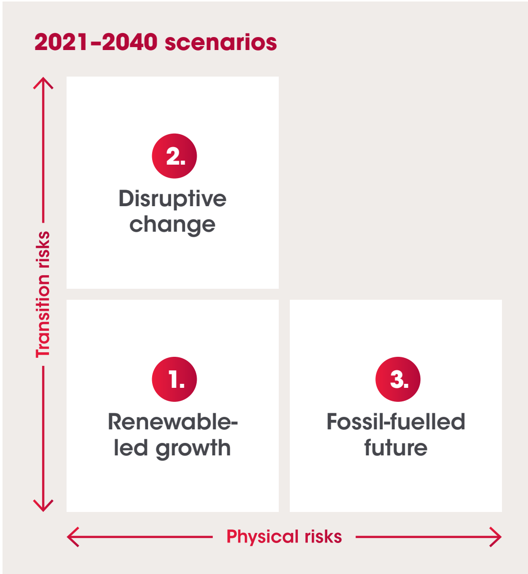
for the Group. The importance of climate change on society and the wider markets in which we operate, is, however, fully acknowledged and we are therefore actively managing and mitigating climate risk, including our environmental impact and our role in providing talent to the low-carbon transition.

Risks and opportunities

During the year we undertook a detailed climate-related scenario analysis utilising Network for Greening the Financial System ('NGFS') Climate Scenarios, with an emphasis on the most material transitional risks and opportunities plus a risk assessment of the physical risks to SThree of climate change. The three key scenarios[1] used to assess the implications of climate change on our business are:

1. **Renewable-led growth (orderly);**
2. **Disruptive change (disorderly); and**
3. **Fossil-fuelled future (hot-house world).**

Following the assessment and analysis, the following risks and opportunities have been identified. Further detail can be found on pages 64 to 66 and within our separate TCFD Report.



Risk type	Risk	Opportunity
Market	• Fossil fuel sector net fees will likely reduce within scenario 1 and 2. • Maintaining market share in rapidly expanding markets such as low-carbon transition.	• Dynamic and flexible services ensure SThree is agile and responsive to changing markets under each scenario. • Growth of clean energy and associated technologies requires the specialist STEM skills SThree provides.
Reputation	• STEM skills are required across multiple sectors with emerging trends such as green tech. Sector-aligned brand strategies and cross-selling opportunities may be missed. • Shifting candidate and client preferences to eco-brands will make service delivery to high emitting clients challenging.	• Growth in sustainable procurement; sustainable supplier credentials such as SThree's climate leadership position (CDP and Financial Time Climate Leaders 2021) provides a differentiator to competitors. • The growing brand value of green companies provides an opportunity to be a staffing partner to the growing number of climate concise businesses.
Political	• Exposure to changing Government policy and varying investment in renewable energy infrastructure projects.	
Physical	• Business operations and employee safety impacted by extreme weather events. • Increased utility costs for offices due to rising temperatures.	

Principal risks

Risks can develop and evolve over time and their potential impact or likelihood may vary in response to changes in internal and external circumstances. Risks and mitigation activities that are outlined below, whilst not exhaustive nor in any order of priority, are those which could have a material adverse effect on the implementation of our strategic priorities, our business, financial performance, cash flows, liquidity, shareholder value as well as on other key stakeholders, including employees, clients, candidates and reputation.

1 Our scenarios, and the underlying data used in modelling, are based on the Network for Greening the Financial System's ('NGFS') climate scenario framework.

Changes during 2021

Following the Board risk session, the Board believes that the risks presented are the correct assessment and the right principal risks for the Group. As a result, the ten principal risks, include one new risk, one reframed risk and eight previously disclosed risks, with one risk removed. Several of the risks have been renamed to ensure they accurately reflect the risk specific to the Group.

- The Competitive environment/business model risk has been reframed to a Future growth risk to reflect the importance of the strategy of the Group and the Capital Markets Day ambitions.
- Removal of Foreign exchange translation as a principal risk. Following detailed assessment, it was concluded that this risk does not rise to the level of a principal risk as the potential impact of the risk materialising is assessed as not being material to the Group's strategy or financial performance, due to the Group structure and controls on external reporting. The risk has been recategorised as a key risk, to be monitored in the appropriate functional risk register.
- Health and safety risk has been added as a principal risk, based on the increased risk profile as a result of our growing ECM business, where we have certain regulatory and contractual obligations and the profile of those roles into which individuals are placed, some of which are higher risk from a health and safety perspective.
- Brexit has been removed from the macro-economic environment principal risk as, following the UK's departure from the European Union, the risk and impact are now understood and can be managed as part of business-as-usual risk management.

Strategic pillars

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

01 Macro-economic environment/cyclicality risk

Risk description

Rapid changes in the macro-economic environment result in SThree suffering financial exposure and/or loss.

SThree operates in a sector that is highly cyclical and sensitive to the economy and business sentiment. Mixed economic signals can delay identification of changes in market conditions and business decisions to respond, both on the upside and downside. The growth in the ECM models globally and fixed central support costs impact on the flexible cost base, so may exacerbate any time lag between financial performance impact and ability to cut costs and therefore impacts the ability to scale when economy recovers quicker than anticipated.

Mitigations

- The annual strategic planning and budgeting process incorporate reviews of the broader market conditions along with quarterly reviews as part of the strategy cycle to help inform any changes that are required to react to changes in the economy.
- The Group is a strategically diversified business, geographically, by sector and by product with a focus on STEM markets which are less sensitive to economic cycles.
- Strategic focus on Contract market which is more resilient in less certain economic conditions than Permanent and provides a counter cyclical cash hedge working capital release with each contract finisher.
- The Group has a flexible cost base that enables the business to quickly cut costs to react swiftly to changes in market activity.
- The Group has a strong balance sheet with low levels of net debt through the year and committed debt facilities to support the business.

Change from 2020

Decreased due to the Group's well diversified business and ability to respond quickly to changes in the market conditions, as evidenced by the Company's robust response to the Covid-19 pandemic.

SLT Sponsor: Andrew Beach, Chief Financial Officer.

Link to strategic pillar: 1, 2.

Principal risk interdependency: 2, 3, 5 and 9.

Risk management continued

02 Future growth

Risk description

Ineffective execution of our strategic initiatives and investments could lead to a failure to deliver planned growth and value creation.

The Group has clear growth ambitions, as set out in the 2019 Capital Markets Day. To achieve these ambitions, the growth needs to be delivered through effective strategy and execution of strategic plans. SThree recognises that it is vital for the right strategy to be implemented and for this to be executed effectively.

Mitigations

- Clear strategy, with regular planning and review meetings as part of strategy setting cycle.
- Oversight of strategic workstreams and technology investments through the project and programme governance committee.
- Corporate Development function and defined M&A processes in place to review any appropriate opportunities to complement organic growth opportunities.
- Geographies and sectors are aligned with our core strategy and any new business model proposed is reviewed to understand market opportunity and strategic synergies, prior to adoption and implementation.

Change from 2020

Newly identified risk following review of risk across the Group.

SLT sponsor: Timo Lehne, Interim Chief Executive Officer.

Link to strategic pillar: 1, 3.

Principal risk interdependency: 1, 3, 4, 5, 6, 7, 8 and 9.

03 Commercial relationships and customer risk

Risk description

Working capital impairment or bad debt write-off occurs, causing SThree financial loss, due to customers or intermediaries being unable to fulfil their contractual payment obligations.

The Group's growing ECM business has increased the need for sufficient working capital to ensure payments are made to candidates whilst waiting for clients to settle invoices.

Bad debt can impact future cash flow for operations when uncollectable debt is written off.

Mitigations

- Regular reviews of high-risk clients managed by credit risk analysts.
- Regional oversight of debt through credit risk dashboard and monthly key performance indicator reviews.
- Effective end-to-end process for review of payment terms out of policy with Chief Financial Officer approval required.
- Continued focus on aged debt.
- High-risk customers form less than 5% of global client base.

Change from 2020

Likelihood remains low but the impact is assessed as increased, due to growing ECM business across the Group which has a more significant impact on working capital cycles and contractual payment terms.

SLT Sponsor: Andrew Beach, Chief Financial Officer.

Link to strategic pillar: 1, 2.

Principal risk interdependency: 1 and 4.

04 Contractual liability

Risk description

SThree enters into unfavourable contractual terms with customers and, as a result, suffers significant financial loss.

SThree operates in a highly competitive environment in which clients sometimes seek to assign significant contractual responsibilities and high financial liabilities to SThree. Where SThree acts as the employer of record (as with its ECM model) this expectation is generally heightened.

Mitigations

- SThree seeks to ensure that its contractual exposure to claims is effectively controlled through its contracts.
- Contract approval processes are in place with defined escalation procedures for the proposal of contractual terms that do not align with standard negotiation parameters.
- Well established in-house legal team, aligned to and working closely with the regional businesses, ensures a close understanding of business risks and associated contractual requirements.
- Risk Committee oversight of any changes in the external environment that should be incorporated into approach to contracting.
- The Company seeks to place the responsibility for supervision and control of contractors directly with the client, including the acceptance of liability for any acts, defaults or omissions.
- Global insurance coverage in place to cover exposure where appropriate.

Change from 2020

Impact remains stable but likelihood increased due to growth of SThree's business and increased proportion of ECM contracts.

SLT Sponsor: Kate Danson, Group General Counsel.

Link to strategic pillar: 1, 2, 4.

Principal risk interdependency: 3, 7, 8 and 10.

05 People, talent acquisition and retention

Risk description

SThree's profitability, long-term enterprise value, and ability to deliver our strategy to find, develop, and retain great people, will be detrimentally impacted if we cannot attract the talent we need to deliver against our ambitions; are unable to meet our profit productivity targets; and, fail to effectively manage retention.

The Group are reliant on attracting and retaining people that can deliver against its growth strategy. Sales consultants take time to reach their productivity peak, and this therefore needs to be taken into account when considering timelines.

In line with other companies, as markets improve, the risk of attrition is likely to increase and the drive to attract talent becomes increasingly competitive. It is vital that SThree attracts and retains an engaged, productive, diverse workforce to ensure the future success of the Company.

Mitigations

- Development of talent acquisition strategy targeted on recruiting the right level of talent into the business.
- Improved employee engagement through new survey platform and feedback with actionable next steps.
- Introduction of flexible hybrid-working policy, following employee feedback on the success of working from home during the pandemic.
- Introduction of global grading system to provide a clearer organisational structure and the foundation for a core function career framework.
- Roll out of a new training platform to strengthen development of consultants throughout their career.
- Continuation of strengthening our wider focus on diversity and inclusion across gender, nationality, age and race.
- Continued focus on mental health and well-being.

Change from 2020

Increased due to wider economic conditions and high demand for recruitment expertise.

SLT Sponsor: Matthew Blake, Chief People Officer.

Link to strategic pillar: 1, 4.

Principal risk interdependency: 2, 9 and 10.

Risk management continued

06 Cyber security

Risk description

SThree suffers a serious system or third-party disruption, loss of data or security breach that disrupts business-critical activities and its ability to meet its contractual and regulatory obligations.

Over the last 12 months the threat landscape has evolved, with an increase in cyber-crime, evolution of ransomware attacks and the continuation of remote working adding complexity.

Secure data is at the heart of creating a strong culture and trusted brand for our candidates and clients; failing to protect our data and manage security across our services will directly impact our reputation and our ability to sustain and grow our business.

Mitigations

- Embedding SThree's global information security framework, designed to ensure that SThree identifies and meets requirements relating to cyber security.
- Vulnerability scanning in place to early identify weaknesses across the estate alongside information security team actively monitoring for security incidents and remediating where necessary.
- Incident management plan in place with clear escalation in the event of a serious incident and linked to outsourced security event monitoring to assist.
- Insurance cover in place that provides access to expert helpline in the event of an incident.

Change from 2020

Increased due to growing external cybercrime threats.

SLT Sponsor: Nick Folkes, Chief Technology and Information Officer.

Link to strategic pillar: 1, 2, 3.

Principal risk interdependency: 4, 7 and 9.

07 Data privacy

Risk description

Non-compliance with international data protection regulations and/or contractual obligations in relation to data protection could expose SThree to loss of revenue, reputational damage and regulatory sanctions.

Having solid data foundations is required for SThree to fulfil our business strategy. Great customer experience starts with accurate, complete, and timely data, and secure data is at the heart of creating a strong culture and trusted brand for our candidates and clients.

Mitigations

- Data privacy landscape continues to be monitored by our cross-functional privacy team to ensure compliance with GDPR and applicable data privacy legislation.
- A global data protection framework is in place to ensure that the Group can identify and meet regulatory requirements relating to data protection within each jurisdiction.
- The introduction of an international Data Protection Champion network.
- Enhancement of processes to manage and respond to Data Subject Rights requests, such as Right to be Forgotten.
- Roll out of updated mandatory data privacy training for all current employees and all new employees as part of the induction process.
- Continued investment in our IT systems and technology controls.

Change from 2020

Increased due to evolving data privacy regulations and growing ECM business.

SLT Sponsor: Nick Folkes, Chief Technology and Information Officer.

Link to strategic pillar: 1, 2, 3.

Principal risk interdependency: 4, 6 and 8.

08 Regulatory compliance

Risk description

Failure by the organisation to meet its regulatory obligations in respect of its business model would undermine our reputation, may result in legal exposure and regulatory sanctions and could negatively impact our ability to operate.

The staffing and recruitment industry sits against the backdrop of an increasingly stringent and complex regulatory environment. These regulatory changes bring commercial opportunities for SThree as companies seek staffing models which remove both the burden of administration and the risk of regulatory non-compliance through engaging with companies such as SThree. However, they also present risk to SThree in circumstances where we fail to manage those opportunities appropriately.

Failure to comply leaves SThree open to a range of risks, including fines, penalties, litigation, personal Director liability and loss of licence to operate. Additionally, the reputational impact and loss of stakeholder confidence could undermine SThree's business in its entirety.

Mitigations

- Regular horizon scanning by Legal function with reporting to regional management boards and Senior Leadership Team.
- Regional Legal team involvement in the establishment of new products/services and entering new jurisdictions to ensure there is full understanding of regulatory compliance required and the processes to support the compliance.
- Local internal processes designed to ensure regulatory compliance for each placement.
- Oversight of regulatory compliance risks and controls at Regional and Group Risk Committees.
- Regional regulatory compliance training rolled out by legal department.

Change from 2020

Impact remains stable, with increased likelihood, due to growing global ECM business and complexity of regulation.

SLT Sponsor: Kate Danson, Group General Counsel.

Link to strategic pillar: 1, 2.

Principal risk interdependency: 4, 7 and 10.

09 Strategic change management

Risk description

The inability to effectively manage and implement strategic change, resulting in poorly implemented projects, could lead to wasted resource and/or adverse financial impact and ability to execute strategy impacting future growth of the Group.

Effective strategic change management is inherently tied into the achievement of our strategy; change management is required for the effective implementation of parts of the strategy that require us to operate differently. Lack of oversight or the rejection by staff of change, would prevent SThree moving to the next level of revenue growth and profitability.

Mitigations

- Prioritisation of investment decisions, approval of business cases and oversight of the investment portfolio through the Portfolio Governance Group, with strong linkage into the annual budget cycle.
- Full SLT and Board visibility of the portfolio dashboard, showing RAG status, timelines, project spend and issues escalation. Implementation of a cloud-based planning tool to assist with project management and oversight.
- A formal digital demand process has been established to coordinate requests that place demands on our technology change resources. The forum ensures correct resource allocation against Company priorities.
- Monthly programme steering committees review programme status, risks and document decisions.

Change from 2020

Increased, to reflect the importance of implementation of core strategic transformation programmes and investments.

SLT Sponsor: Timo Lehne, Interim Chief Executive Officer.

Link to strategic pillar: 1, 3.

Principal risk interdependency: 1, 2, 5 and 6.

Risk management continued

10 Health and safety

Risk description

If an employee suffers injury where SThree has failed to meet its regulatory obligations or duty of care this could lead to an undermining of trust by our employees, candidates and clients, as well as reputational damage and financial loss.

Health and safety ('H&S') management regulations contain a general requirement for organisations to monitor and review preventive and protective measures to protect the health, safety and well-being of our employees. As a responsible employer we strive to ensure all our people are safe in their working environment. During the ongoing pandemic the safety of our employees and candidates is a high priority.

Our increasing volume and proportion of business under the ECM means we have heightened regulatory obligations towards our candidates, many of whom operate in higher risk environments than our internal workforce.

Mitigations

- Appointment of a global Group Health and Safety Manager to build out further the Company's health and safety framework.
- Adaption of H&S processes in light of continued working from home during pandemic.
- Monthly health and safety administration and communication meetings to discuss risks and any change in processes.
- An updated Health and Safety policy rolled out across the Group.
- Processes and reporting in place for any accidents or incidents involving internal employees and ECM candidates.
- Regular horizon scanning of H&S regulations by both Group Legal and Health and Safety Manager to ensure policies and processes are updated accordingly.
- Communication with clients to ensure safety of a candidate on a client site and obligations are understood by both the client and candidate towards health and safety.
- The review of health and safety obligations are a key part of the contract review process, to ensure any required processes are followed and are proportionate to the product being offered to the client.
- Insurance policies where required covering the Company and ECM contractors in the event of an accident.

Change from 2020

Added as a new principal risk for 2021 due to the increased health and safety needs from the pandemic and the growing ECM business.

SLT Sponsor: Matthew Blake, Chief People Officer.

Link to strategic pillar: 2, 4.

Principal risk interdependency: 4, 5 and 8.

Compliance statements

Going concern statement

The Directors have undertaken a review of the Group's forecasts and associated risks and sensitivities for at least 12 months from the date of approval of this year's financial statements.

Although the global pandemic and its aftermath continue to create a moderate degree of uncertainty to economic conditions across all of our markets, the Group's business model has proven to be effective and resilient. In 2021 the Group delivered a very strong performance across key markets and sectors, with profit before tax surpassing the pre-pandemic levels of 2019, reflecting the continued strength of demand for the exceptional candidates we work with, their STEM skills and the growth trajectory of our business.

In the assessment of going concern basis of preparation, the Directors considered the future financial performance based on current trading and its growth trajectory, expected operating cash flows, as well as people and capital resources required to implement strategic initiatives in response to identified market opportunities and emerging risks. The Directors also assessed the Group's financial position, including accessible liquidity with committed borrowing facilities, as set out in note 17 to the financial statements.

At 30 November 2021, the Group had £57.5 million of cash, with no debt except for IFRS 16 lease liabilities of £35.1 million. Debt facilities relevant to the review period comprise a committed £50.0 million RCF (facility expiring in May 2023 with all covenants met) and an uncommitted £20.0 million accordion facility, both jointly provided by HSBC and Citibank. A further uncommitted £5.0 million bank overdraft facility is also held with HSBC. The RCF is subject to covenants that are measured biannually in May and November, on a trailing 12-month basis, being (i) net debt to EBITDA of a maximum of 3.0x and (ii) interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 30 November 2021 was nil, as no debt was drawn at the year end, and interest cover was 92.4 times.

The Group developed a base case that demonstrates the Board's best estimate for the review period (to the end of Q1 2023), as well as a range of downside scenarios which may occur, either through further Covid-19 related impacts, general economic uncertainty or any of the Group's principal risks. This assessment considered the Group's potential responses to changing market conditions and business risks, resilience of its business model and overall level of Group funding and covenant requirements.

The key assumptions of the downside scenarios linked to certain principal risks are shown below.

Scenario 1 Downside scenario – economic downturn

The first scenario considers the downside impact of economic uncertainty triggered by the new Covid-19 variants over the review period, reflected in reduced sales activity for the remainder of 2022 and into Q1 2023.

Under this plausible scenario, productivity is forecast to decline between 14% and 18% against the base case over 2022. While variable costs are forecast to reduce in line with net fees, all other costs are assumed to remain in line with the base case.

Link to risk:

Risk 1: Macro-economic environment/cyclicality

Risk 3: Commercial relationships and customer risk

Scenario 2 Severe but plausible scenario – demand/operational shock

The second scenario, considered severe but plausible, includes further potential Covid-19 outbreaks and restrictions in all key markets throughout 2022 and into 2023, leading to demand at similar levels to that experienced in 2020 over that period.

Under this severe but plausible scenario, the productivity is forecast to decline between 21% and 24% against the base case over 2022 and in Q1 2023. The impact of this severe but plausible downside is mitigated by the reduction in variable costs in line with net fees, together with further reductions in overheads resulting from the postponement of investment in additional headcount.

Link to risk:

Risk 1: Macro-economic environment/cyclicality

Risk 3: Commercial relationships and customer risk

Under both scenarios, the Group's day-to-day working capital requirements are expected to be met through existing cash resources and cash equivalents and receipts from its continuing business activities, with sufficient cash headroom for the Group to continue trading throughout 2022 and into 2023. In each of these scenarios the Group is also forecast to be compliant with all covenants throughout the review period, with no requirement to utilise the existing credit facilities.

Through this process, together with their knowledge and experience of the recruitment services industry, STEM markets and the principal risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months and therefore the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 30 November 2021.

Compliance statements continued

Viability statement

Assessment of prospects

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have reviewed the medium- to long-term prospects and viability of the Group.

In the assessment, the Directors considered the Group's unique proposition, sitting at the heart of two long-term secular trends (demand for STEM skills and demand from clients for a flexible workforce), its resilient business model, strong financial position and high potential to continue delivering sustainable profitable growth and increase its market share in well diversified STEM markets across lucrative sectors, where demand for talent is rapidly accelerating. The Directors continue to believe that investments in selective strategic initiatives will further build the Group's operational capabilities, not only improving customer experience but also effectively mitigating key risks associated with an increasingly competitive environment, rise in complex contractual arrangements, or potential breach in defences of information and technology systems.

Key assumptions and related viability period

The Directors conduct an annual strategic planning process, comprising a comprehensive reassessment of progress against the Group's strategic targets, alongside an evaluation of the long-term opportunities and risks in the market in which the Group operates.

Using scenario planning and bottom-up estimates of demand for STEM talent, the assessment of the Group's viability was carried out over a five-year period to November 2026. The financial projections were based on assumptions, including the following:

- key macro-economic data that could impact recruitment activity and demand for our services and consequently our revenues and net fees;
- expected headcount retention rates and our ability to dynamically change hiring decisions and other operational spend in the light of trading conditions;
- expected productivity of our teams (placements per head);
- changes in the Group's working capital levels;
- movements in foreign currency rates, tax rates and interest rates; and
- dividends per share.

The Directors believe that a viability period of five years, to 2026, is appropriate. This is due to its consistency with the evaluated sustainability and resilience of the Group's business model over the long term (including strategic factors detailed in our investment case on pages 14 to 15, as well as longer-term market trends in areas such as digitisation and climate change).

Furthermore, the viability period aligns to:

- the impairment review process, where investments in subsidiaries are tested based on five-year forecasts;
- the period over which the capital investment decisions are appraised; and
- the period over which the Group's major strategic priorities and plans have historically been considered (in line with the long-term ambitions announced at the Capital Markets Day in 2019).

The Directors therefore have reasonable expectations of the Group's financial position and trading performance over the coming five-year period, allowing an appropriate assessment of principal risks, subject to the inherent macro-economic uncertainty and unforeseen events beyond the Group's control.

Assessment of viability

Using the quantitative output of the Group's long-term planning activity, the Directors also assessed qualitatively the established processes and operational capabilities across all Group functions, including the enterprise risk management framework and liquidity management. The assessment provided a robust basis for confirmation that the risks to the Group's viability are understood and are being effectively managed.

The viability assessment focused mainly on the expected future solvency of the Group in the face of the macro-economic environment cyclicality in which the Group operates, being a key principal risk. However, also considered were the potential impacts of other principal risks related to customers, our people and strategic change management, particularly given the dependencies on our investment in people and infrastructure to deliver the Group's growth and other strategic ambitions.

The key assumptions in the long-term plan, which comprises the next financial year plan used in the going concern assessment and projections for the following four financial years, were stress-tested against severe but plausible downside scenarios linked to certain principal risks as summarised below:

	Assumptions, level of severity considered	Link to risks
Scenario 1	Further Covid-19 outbreaks and lockdowns in some, but not all of our key markets through 2022 impacting customer demand as well as sickness absences across sales team. Both these factors impact the Group's sales productivity resulting in reduced net fees and profits.	Macro-economic environment/cyclicality Future growth People, talent acquisition and retention Commercial relationships and customer risk
Scenario 2	Further Covid-19 outbreaks and lockdowns in all of our key markets through 2022 and extending into 2023 and with a slower recovery than experienced in 2021. Again, the Group's sales productivity is impacted by both the reduction in customer demand as well as absences in our sales teams, resulting in reduced net fees and profits. This scenario also assumed that no benefits are delivered from the investments in infrastructure made over the review period, further impacting on both profitability and forecast growth.	Macro-economic environment/cyclicality Future growth People, talent acquisition and retention Commercial relationships and customer risk Strategic change management

The Directors considered the key factors that mitigate against these downside scenarios, including the strength of the Group's balance sheet, the availability of credit facilities that remain undrawn, the diversity of the Group's business across geographies and sectors as well as its ability to respond quickly to changes in market conditions, as evidenced by the robust response when the pandemic hit in 2020.

Viability statement

Based on the assessment of the Group's prospects, resilience of the business model and strategy, the Directors confirm that they have a reasonable expectation that the Group will have adequate financial resources to continue in operation and meet its liabilities as they fall due over the five-year period ending 30 November 2026.

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.

Compliance statements continued

Non-financial information statement

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

Our purpose

'Bringing skilled people together to build the future'

See SThree at a glance/ Our purpose and strategy on pages 6 to 7.

Our culture, values, and policies

Culture and values

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

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

See Feature spreads on page 8 to 13.

See Strategic progress: Our people on pages 48 to 51.

Our policies and procedures

Employees

- Code of Conduct.
- Health and safety policy.
- Bullying and sexual harassment policy.
- Gender Pay Gap Report 2020–2021.
- Whistleblowing policy.
- Data protection policy.

Human rights

- Code of Conduct.
- Global DE&I policy.
- The Company's Modern Slavery Act Statement.

Social matters

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

Anti-bribery and corruption

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

Environmental matters

- ESG Impact Report and ESG Statement.
- TCFD Report 2021.
- Sustainability policies.

See Responsible business, including TCFD on pages 60 to 75.

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

Governance and oversight

Our Board is responsible for the long-term success and the delivery of strategic and operational objectives.

It monitors the effectiveness and reviews the implementation of all our sustainability and operational policies, regularly considering their suitability, adequacy, and effectiveness. Any improvements identified are made as soon as possible.

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

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

The Board is also supported by the ESG Committee, to whom certain responsibilities have been delegated, to safeguard the development, and adherence to the internal procedures and systems, developed to pursue the Group's ethical, social and environmental goals. The Board also monitors and manages the Group strategy and risks in light of our plans and performance in tackling climate change, including progress made towards becoming a net-zero carbon-emissions business by 2025.

See Stakeholder engagement on pages 76 to 81.

See Our Board on pages 104 to 106.

See Directors' report on pages 146 to 148.

See Responsible business, including TCFD on pages 60 to 75.

Our response

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

See Our business model on page 32 to 33.

See Market overview on pages 28 to 31.

See Stakeholder engagement on pages 76 to 81.

See Responsible business, including TCFD on pages 60 to 75.

See Risk management on pages 82 to 90.

Delivering on our purpose

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

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

See SThree at a glance/Our purpose and strategy on pages 6 to 7.

See Strategic progress on pages 36 to 51.

Driving value creation

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

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

See Directors' remuneration report on pages 121 to 145.

See Responsible business, including TCFD on pages 60 to 75.

See Key performance indicators on pages 52 to 55.

See Chair's statement on pages 18 to 21.

See Chief Financial Officer's review on pages 22 to 27.

See Business review on pages 56 to 59.

Governance

Quick navigation

Chair's governance statement

"

Our Group purpose, 'Bringing skilled people together to build the future', drives us to consider all stakeholder interests so they are central to the Board's deliberations."

James Bilefield
Chair

Dear Shareholder

It is my responsibility as Chair to ensure that the Group has sound corporate governance and that the Board continues to be effective. This is managed by ensuring that the Group and the Board are acting in the best interests of our various stakeholders and making sure that the Board discharges its responsibilities appropriately. This includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings. In 2021, we continued to seek to improve the effectiveness of our Board, including through an external board effectiveness review and I am pleased to report that the Board is providing good leadership and support to the business. Further details of the review can be found on page 114.

I am therefore pleased to introduce our Governance report for the year ended 30 November 2021. The SThree Board aspires to adopt FTSE 250-level governance best practice wherever possible and was an early adopter of the UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in July 2018 (the 'Code'). A copy of the Code is available from the Financial Reporting Council's website at frc.org.uk. Our statement of compliance with the Code can be found on page 99.

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

During the year, key governance and oversight activities:

- Considered the Covid-19 impact on our people and their ongoing protection and support.
- Reviewed progress against Capital Markets Day ambitions for 2024.
- Considered strategic project prioritisation and related delivery plans.
- Reviewed the Technology and Data Strategy.
- Received dedicated market updates from each of our key regions, including deep dives into performance, strategy and people.
- Considered a People update, including progress following the roll out of the global Diversity and Inclusion Strategy.
- Approved the Dividend and Capital Allocation policy.
- Reviewed the Talent Acquisition Strategy.
- Reviewed and updated risk appetite and current positioning including Climate change.

Compliance with the UK Corporate Governance Code 2018

The Board applied all the main principles and provisions of the Code throughout the year ended 30 November 2021, except in the following respects:

Provision 24. The Code recommends that the Chair of the Board should not be a member of the Audit Committee. Our Chair, James Bilefield, was a member of the Committee until 1 June 2021, when he stood down. From this date the Audit Committee comprised three independent Non-Executive Directors and met the recommendations of Provision 24.

Provision 38. The Code recommends that the pension contributions of Executive Directors should be aligned with the wider workforce. As previously explained in the 2020 Directors' Remuneration Report, Alex Smith, who was Chief Financial Officer until he stepped down on 15 July 2021, had a pension contribution capped at the monetary equivalent of 15% of his 2019 salary, which exceeded the contributions paid to the majority of UK employees. The pension rate for Mark Dorman who was Chief Executive Officer throughout the period, was set at 5% of base salary. Since 1 December 2020, when the Company increased its pension contribution for the wider UK workforce to 5% of basic salary, the pension contributions of the Executive Directors have been aligned with staff in the UK and the Company now complies with Provision 38.

Our annual Board strategy session, held in July 2021, gave an opportunity for the Board to reflect on the pathway strategy to 2024 set out in the Capital Markets Day presentation in 2019, in the context of the changes that the world has seen as a result of Covid-19. The two long-term, secular trends identified by SThree at that time – the increasing demand for STEM skills and the growth in flexible working – are more relevant than ever, and the swift recovery of demand for our services in 2021 gave the Board confidence that its strategy remains sound. As the shape of our business develops, with a greater proportion of 'employed contractors', the Board has maintained oversight of the required governance, structures and processes to support this business, in compliance with relevant regulations. You can find a report on progress in the Strategic progress section of the Strategic report.

Succession planning remains a key focus and during the year we welcomed Andrew Beach to the Board, joining as Chief Financial Officer. Subsequent to the year end Mark Dorman stepped down from the Board and as Chief Executive Officer. Timo Lehne, the Senior Managing Director of SThree's largest region, DACH (Germany, Austria and Switzerland) was appointed Interim CEO, joining the Board for that period. Further details are provided in the Nomination Committee report.

The Board continues to shape and develop our culture with a renewed focus on diversity and inclusion and we have maintained oversight of the Group's initiatives in this important area. Further information on diversity and gender pay can be found in the Strategic progress section.

Finally, I would like to take this opportunity to thank all of our stakeholders for their support during this year. I, along with the Board, am available to respond to any questions on this report or any of our activities both now and at the 2022 Annual General Meeting.

James Bilefield
Chair
28 January 2022

Board of Directors

Executive Directors

Timo Lehne

Interim CEO, Senior Managing Director of SThree GmbH

Appointed: January 2022

Experience

Timo Lehne was appointed Interim CEO and joined the Board as an Executive Director on 1 January 2022. As Senior Managing Director he holds full responsibility for the day-to-day running of SThree's largest region, DACH, (Germany, Austria and Switzerland). He is also part of the global Senior Leadership Team, responsible for the executive management of the Group's business and recommending strategic and operating plans to the Board. Since he joined the Group in 2006 he has helped transform the business into the fastest-growing specialist recruiter in the region.

Timo studied International Economics in the Netherlands before joining SThree's Progressive Recruitment business in Germany as a sales consultant in 2006. He was appointed Senior Business Manager in Düsseldorf for SThree in 2009, turning it into our fastest-growing business and growing the city's share of net fees within the DACH region from 4% in 2009 to 27% in 2012. He was promoted to Senior Sales Director in 2013, taking joint responsibility for the running of the overall DACH business, and in 2017 became Managing Director, with responsibility for the overall DACH business of SThree, with €370 million in revenue and more than 1,000 employees operating in ten locations.

Andrew Beach

Chief Financial Officer

Appointed: July 2021

Experience

Andrew Beach was appointed to the SThree Board in July 2021, joining from Hyve Group plc, a global exhibitions business. He is an accomplished CFO with more than 13 years' experience in listed companies. He has global experience of business transformation, funding and M&A in fast-paced and high-growth companies and has extensive experience of working alongside boards and senior leadership on company strategy and direction.

As CFO of Hyve, Andrew was instrumental in leading the company through a period of significant transformation and rapid international growth, which resulted in its promotion to the FTSE 250. Previously, he held a number of roles at Ebiquity plc, joining as Group Financial Controller in 2007 and quickly being appointed as CFO in 2008. In 2014 he was promoted to Chief Financial and Operating Officer. Andrew trained and qualified as a Chartered Accountant with PwC, working with them from 1998 until 2007.

A N R

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

Non-Executive Directors

James Bilefield

Chair

Appointed: October 2017

N R

Experience

James Bilefield was appointed to the SThree Board as Senior Independent Director and Chair Designate in October 2017, becoming Chair in April 2018. He is Chair of the Nomination Committee and a member of the Remuneration Committee.

He is a Non-Executive Director of Stagecoach Group plc, where he serves on the Remuneration and Nomination Committees, and is also a Non-Executive Director of Moneysupermarket.com Group plc, where he is a member of their Audit, Nomination, Risk and Remuneration Committees. Other appointments include McKinsey & Company (Senior Advisor) and Teach First (Trustee).

James 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.

Denise Collis

Senior Independent Non-Executive Director and Employee Engagement NED

Appointed: July 2016

A N R

Experience

Denise Collis was appointed to the SThree Board, Nomination Committee and Remuneration Committee in July 2016. Denise was further appointed as Chair of the Remuneration Committee in September 2016, became a member of the Audit Committee in April 2018 and was appointed Senior Independent Director in October 2018.

Denise is also a Non-Executive Director and Chair of the Remuneration Committee at Smiths News plc, the specialist distribution company, a Non-Executive Director of Emis Group plc, a major provider of healthcare software, information technology and related services, where she is Chair of the Remuneration Committee and a member of the Audit and Nomination Committees, and Chair of the Remuneration Committee and a member of the British Advisory Council at the British Heart Foundation. Prior to this, she was Group HR Director for 3i Group plc, and most recently Chief People Officer for Bupa. She has extensive international Human Resources and executive committee experience, and has also held senior roles at EY, Standard Chartered plc and HSBC. Denise is a Fellow of the Chartered Institute of Personnel and Development.

Anne Fahy

Independent Non-Executive Director

Appointed: October 2015

A N R

Experience

Anne Fahy was appointed to the SThree Board, the Nomination Committee and as Chair of the Audit Committee in October 2015, and joined the Remuneration Committee on 26 April 2018. Anne is also Non-Executive Director and Chair of the Audit Committee at Coats plc, the world's leading industrial thread company, and at Nyrstar NV, a company incorporated in Belgium and listed on Euronext Brussels, which has, following completion of its recapitalisation/restructuring in 2019, a 2% shareholding in the Nyrstar group. Anne is 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. She is a Fellow of the Institute of Chartered Accountants in Ireland, having worked at KPMG in Ireland and Australia prior to joining BP in 1988.

Barrie Brien

Independent Non-Executive Director

Appointed: September 2017

A N R

Experience

Barrie Brien was appointed to the SThree Board, Audit, Nomination and Remuneration Committees in September 2017.

He is Group Chief Executive Officer of STRAT7, a data analytics and strategy consultancy, and was the former Chief Executive Officer of Creston plc, a media and marketing communications group, stepping down in 2017 following its sale and de-listing. Barrie was extensively involved in the growth of Creston plc from 2004 with its buy-and-build strategy and had also been Chief Operating and Financial Officer.

In addition to the extensive public company experience, including M&A fundraisings and Investor Relations, Barrie has spent 30 years in global media, digital and marketing communication companies, advising a portfolio of boards and clients across multiple industries on their growth strategies.

Kate Danson

Group General Counsel & Company Secretary

Appointed: March 2021

Experience

Kate Danson joined SThree in March 2021 from Johnson Matthey plc, where she was General Counsel, Group, responsible for leading the provision of legal services across the global group functions. She has over 13 years' experience of working in listed companies, operating as part of executive management teams and has extensive knowledge and experience in complex global legal, ethics and compliance, governance, business and risk management issues.

Kate is a qualified solicitor and started her career in private practice at the international law firm Ince & Co.

Board at a glance

We have a strong Board positioned to deliver growth.

Board of Directors

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

Audit Committee

Ensures the integrity of the Consolidated Financial Statements of the Group and maintenance of internal control and risk management systems. Reviews the Internal Audit annual plan to ensure it reflects the challenges and risks to our business and provides the appropriate level of assurance.

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

Remuneration Committee

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

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

Nomination Committee

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

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

CEO

Senior Leadership Team

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

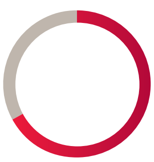
Risk Committee

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

ESG Committee

Assists with setting guidance, direction and overseeing policies and progress on ESG and related activities, including identifying, assessing, monitoring and mitigating climate risk.

Board diversity



Male	67%
Female	33%

Board tenure

0-3 Years	33%
3-5 Years	33%
5+ Years	33%

Board composition

Non-Executive	50%
Chair	17%
Executive	33%

Skills matrix

		James Bilefield	Anne Fahy	Denise Collis	Barrie Brien	Timo Lehne	Andrew Beach
	Independence		✓	✓	✓		
Skill Areas	Strategy and Transformation	✓	✓	✓	✓	✓	✓
Skill Areas	Finance		✓		✓		✓
Skill Areas	Risk Management	✓	✓				✓
Skill Areas	People and Culture			✓			
Skill Areas	Marketing				✓	✓	
Skill Areas	Tech & Cyber Security	✓					
Skill Areas	Data	✓			✓		✓
Skill Areas	ESG/Responsible Business	✓	✓	✓			
Skill Areas	Commercial				✓	✓	✓
Experience	Sector	Technology, Publishing, Financial Services	Energy	Healthcare, Financial Services	Media and Marketing Services	Recruitment and Staffing	Events Services, Marketing Services and Accountancy
Experience	International	UK, Americas, Europe	UK, Americas, Europe, Asia	UK, Americas, Europe, Middle East, Asia, Australasia	UK, Europe	Europe	UK, Americas, Europe, Asia
Other SThree Committees		For Committee membership see Board of Directors on pages 100–101.					

Board – roles and responsibilities

Chair	CEO	CFO	Senior Independent Director ('SID')	Non-Executive Directors ('NEDs')	Company Secretary
Responsible for: • The leadership, effectiveness and governance of the Board • Leading the setting of the Board agenda • Ensuring the Board receives accurate, timely and clear information • Ensuring effective Board contribution	**Responsible for:** • Developing and proposing the strategy of the Group • The operational and financial performance of the Group • Operational risk management • Effective and ongoing communication with our key stakeholders • Communicating the culture, values and behaviours of the Group	**Responsible for:** • Responsibility for the management of the Finance function • Leads the Group's finance activities, finance risks and controls • Group funding arrangements • Investor Relations	**Responsible for:** • Supporting the Chair • Acting as an intermediary for other Non-Executive Directors • Leading the appraisal of the Chair's performance • Acting as an alternative point of contact for key stakeholders	**Responsible for:** • Reviewing, monitoring and examining the Group's strategy • Monitoring operational and financial performance • Assessing the governance, internal controls and risk management framework • Providing independent advice	**Responsible for:** • Advising the Board on governance matters • Supporting the Board and Committees in the efficient and effective functioning of meetings • Ensuring information flow between Board and Committees, plus senior individuals and Non-Executive Directors • Facilitating Board induction programmes and organising training, as required

Our Board

Board and Committee composition and attendance

The Board has established various Committees, each with clearly defined Terms of Reference, procedures and powers. The Terms of Reference for the Audit, Remuneration and Nomination Committees are reviewed regularly, are aligned closely with the UK Corporate Governance Code and take into account the Corporate Governance Institute's ('CGI') best practice guidelines. They are available at www.sthree.com.

In addition to the scheduled Board meetings held during the year, the Board met for a dedicated strategy session and to consider progress against Capital Markets Day ambitions. The number of scheduled Board meetings held, and attendance at each, is set out in the table below. All Directors attended the Annual General Meeting. Attendance at each of the Committee meetings can be found in the Audit, Remuneration and Nomination Committee reports.

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

Director	Scheduled Board meetings attended
Mark Dorman	8/8
Alex Smith	5/5
Andrew Beach	3/3
James Bilefield	8/8
Denise Collis	8/8
Anne Fahy	8/8
Barrie Brien	8/8

Note: Timo Lehne joined the Board after the year end.

Composition of the Board

The Board comprises a balance of Executive and Non-Executive Directors who bring a wide range of skills, experience and knowledge to its deliberations. The Non-Executive Directors 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 Non-Executive Directors 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 evaluated at least annually to ensure the appropriate balance of skills, expected time commitment, knowledge and experience, and the Directors can therefore ensure that the balance reflects the changing needs of the Group's business and is refreshed if necessary. Most importantly of all, Board members feel a strong cultural affinity with the Group, engaging fully as a committed team and in a wide variety of activities with our employees around the globe, whether it be an office visit, or presentation by management. The Nomination Committee report gives further information on activity in this regard, including changes in Board composition, succession planning and diversity and inclusion activity.

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

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

The role of the Board

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

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

Division of responsibilities

In order to facilitate more efficient working practices there are agreed Terms of Reference for the Board's main Committees and for the Group's management committees, including a Senior Leadership Team ('SLT'), a Disclosure Committee, a Minority Interest 'Tracker Shares' Steering Committee, a Routine Business Committee, Risk Committee, and an ESG Committee, all of which provide a clear framework of delegated authorities.

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

The schedule outlines all matters requiring specific consent of the Board, which include the approval of Group strategy, operating plans, annual budget, the Annual Report, the Interim Report, 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 and reporting, which seeks to achieve the objectives of maintaining effective financial and operational controls, whilst allowing appropriate flexibility to manage the business. The current schedule of matters reserved for the Board is available on the Company's website at www.sthree.com.

Information and support

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

The Group Company Secretary helps to ensure information flows between the Board and Committees, as well as senior individuals across the Group and Non-Executive Directors, and appropriately advises the Board on governance matters.

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.

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.

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

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

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

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

The issues, factors and stakeholders that the Board considers relevant to complying with Section 172 are set out in the Section 172 statement.

Engagement with shareholders and constructive use of our AGM

As a listed plc, engagement with shareholders is given a high priority as part of a comprehensive Investor Relations programme. The Company produces Annual and Interim Reports for shareholders and the Company's website contains up-to-date information on the Group's activities, investor presentations and published financial results.

Shareholders can also subscribe for email alerts of important announcements made. There are regular meetings with institutional shareholders and analysts following key trading updates and throughout the year on an ad hoc basis, whilst ensuring that price-sensitive information is released consistently and at the same time to all, in accordance with best practice market rules.

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

Our Board continued

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

Views of analysts, brokers and institutional investors are sought on a non-attributed basis via periodic sentiment surveys and these, as well as regular analyst and broker publications, are circulated to all Directors to ensure that they develop a full understanding of the views of shareholders.

Any issues or concerns are raised and discussed at the Board, and Directors routinely receive regular reports on share price, trading activity and sector updates.

The Board views the AGM as an opportunity to communicate with private and institutional investors alike and welcomes active participation. Whilst Covid-19 restrictions prevented shareholders attending the AGM in person in April 2021, questions were invited in advance, with these and any answers to be published on the website, if helpful. Alternative options, such as holding a virtual AGM, may be considered in the future, however, the Board hopes to hold the 2022 AGM in person.

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

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

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

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

Engagement with employees and stakeholder influence in decision-making

Denise Collis was appointed in December 2018 as the designated NED responsible for employee engagement, to gather views from employees and ensure that these are brought into the boardroom. In carrying out this role, Denise has met with a diverse range of employees, at all levels of seniority, whilst also engaging with Group and local HR teams. See the separate Employee engagement section for details on Denise's engagement with employees across the SThree Group during the course of 2021.

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

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

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

Employee engagement

Last year we established a programme of employee engagement focus groups, where people from across SThree's network, at different levels in the organisation, came together to share their views about the business. Three meetings were held over the year in April, September and October. Participants, attending remotely through video conferencing, came from Netherlands, France, Belgium, Germany, Switzerland, US and the UK.

"

I see my role as bringing the voice of SThree people into the boardroom and then ensuring this voice is heard and acted upon."

Denise Collis
Non-Executive Director
Senior Independent Director

I have been encouraged by the directness and positivity of those attending. My strong impression is that we have established an atmosphere of trust where participants can frankly share opinions in an open and generally constructive way. The level of engagement is further reflected in those who take the initiative to contact me following a meeting to add further contributions to topics discussed. Throughout, there is a clear affection for the business that shines through.

Is it representative of the mood across SThree? I believe it is. There is a strong correlation between the opinions raised and the findings of the deep-dive, annual employee survey. In 2022, we will be able to monitor this correlation even more accurately as the Group will conduct quarterly pulse surveys of employee engagement along with another deep dive in October.

In addition to these sessions, I have continued to work with IdentiFy+, the diversity initiative for fast-tracking the development of women from across SThree with leadership potential. I have also explored other touchpoints, reaching out to groups and individuals for their input.

This year we have again dedicated two Board sessions, in July and November, to discussing my findings, reviewing recommendations and determining next steps. I am in no doubt that the Board takes these sessions very seriously. The commitment is evident, and we collectively hold ourselves accountable for responding quickly and positively. All Non-Executive Directors and the Chair have an open invitation to attend the focus group sessions. Barrie Brien joined me this year, and my other colleagues plan to do likewise during 2022.

It is vital that employees feel their views are not just being heard but are being acted upon. The best confirmation that this is indeed happening is for them to see evidence of change, in a way that impacts them directly. The chart on the next page sets out the key areas of focus and actions either taken in 2021 or planned for 2022. I am heartened that we are making real progress.

Over the coming year, I will be holding further focus group sessions. We will be refreshing our approach by specifically targeting key demographic groups, such as new joiners in their first 12 months with the business. Hopefully, we will be able to supplement videoconferencing with the resumption of office visits.

I would like to thank the Board for their continued unstinting support. My role can only be effective if the most senior leadership of the business are serious about employee engagement. I believe this Board is, having fully embraced the opportunity of having an NED responsible for employee engagement.

Employee engagement continued

Opportunities arising from employee feedback

2020 feedback	Action taken during 2021 or planned for 2022
Better segmentation of audiences for communication purposes and greater visibility of the Senior Leadership Team. More structure around celebrating success and morale boosting activity.	The Group communications team has been strengthened with the recruitment of a new Head of Internal Communications. A 'Top 100' group has been created for planning and communication of new initiatives, and a programme of global townhalls introduced. Celebrating success has been amplified through more regular communications via multiple channels and a weekly written newsletter, 'The Wrap'.
More openness around planned improvements to IT and operational infrastructure.	A new Chief Technology & Information Officer joined the business in October 2021 to further accelerate development in this area. Communications will be reviewed to provide more regular and targeted updates during 2022.
Continued focus on Diversity & Inclusion, with visible declarations of intent.	Significant progress was made during 2021, including external recognition as Company of the Year at the European Diversity Awards. The Global Diversity, Equity & Inclusion ('DE&I') network continued to grow and now numbers over 250 advocates. 95% of senior and mid-level leaders attended the DE&I Leadership Executive Bias training event, achieving the target set for 2021. A new Global DE&I policy was launched with an accompanying Vision statement and video. A new lead DE&I role was created in the US. In January 2022, the next cohort of the IdentiFy+ women's development programme will be launched.
Improved L&D, particularly targeted at manager effectiveness and leadership development.	Successful completion of the Leadership Development Programme in partnership with Bridge in 2021, with two business challenges generating collaboration opportunities across the Executive Leadership Team. Learning Management System, incorporating a management and leadership academy, launched. Leading with Purpose, a new global leadership development framework, planned for 2022.

2020 feedback	Action taken during 2021 or planned for 2022
Further guidelines on remote working and upskilling of managers, with more practical support for homeworking.	Introduction of a new global hybrid-working policy with a readiness toolkit and online hub created to guide and support managers. This was supplemented by regional taskforces, set up to help embed hybrid working at a local level. Outside advisors were also appointed to develop a blueprint of what the future SThree office environment could look like to drive collaboration, engagement and productivity.
Further work on levelling up the sales and non-sales groups around career paths, progression and market competitive reward. Attraction and retention remain a key concern, particularly in the US and UK&I, in addition to the effectiveness of how reward is communicated across the organisation.	The Global Grading project, supported by Willis Towers Watson ('WTW'), was launched, with all roles across the organisation graded and the new framework signed off by the SLT. Pay structure design sessions have subsequently been held focusing on both sales and non-sales roles. The new framework and pay structure will be further built upon during 2022 to drive equity of career opportunity and achievement of market competitive pay for all employees.

2021 feedback	Action taken during 2021 or planned for 2022
To further strengthen Employee Engagement to improve attraction and retention of talent there is a need to develop our Employer Brand.	We have developed a new People Promise providing a clear commitment to our people of the experience we want to create for them. We will launch this and embed throughout 2022. We will also develop an enhanced and refreshed employer value proposition, adjusted to reflect different cultural nuances across our regions.
Support for mental health fallout from Covid-19 and signs of burnout due to the weight of organisational change agenda and the high vacancy rate.	There has been significant investment in our Health and Well-being support programme in 2021. We commissioned third-party organisational mental health specialists to identify opportunities and develop a support strategy for our people. The focus for 2022 is more specifically on mental health and significant budget approval has been given to develop a comprehensive programme to support this in the coming year.

Working with the NED for employee engagement

We asked four members of the employee engagement focus group about their experiences. Here's what they told us:

Why did you want to get involved in the employee engagement focus group?

"As a woman of colour from a low socioeconomic background, to have an opportunity to speak to Denise, a Non-Exec Director who speaks to the exec board, is quite outstanding. I was really excited to have an opportunity to use my voice."
Raveena

Thoughts on the value of the sessions?

"Any time you get representatives from different countries, different backgrounds, different perspectives in a room, you can't but help get a rich conversation. They are very constructive – it's not a bunch of people moaning, it's a group of quite experienced people, with quite diverse backgrounds, giving really constructive thoughts that are often quite solutions focused."
Leon

"Having focused time once a quarter to think through where I'm at, where my team is at and where the organisation is at, and have the chance to discuss with colleagues across the globe, really gives us value."
Robert

Has your voice been heard?

"Denise is a good listener with a very positive attitude. She reaches people."
Ramona

Do you think the board is listening?

"We talked a lot about the lived experience of being an employee at SThree, particularly some US dynamics that were very new, very raw, and somewhat disconcerting for certain people, and there was immediate feedback through the Board to the US leadership on that."
Leon

"It genuinely feels like Denise and the other Board members are actually listening in terms of what's happening across the organisation and you can see how that translates across the Board conversations by what comes out in terms of how we move forward."
Robert

How did employee engagement happen before?

"I just spoke to my manager and gave my feedback when asked. But it was always when asked. I think sometimes as an employee, as an individual contributor without the backing of a team or having a high-standing position, you sometimes don't feel that anybody wants your feedback. But that's not the case with this which I think is really important."
Raveena

What would you like to see from these sessions in future?

"More involvement from the Board. It legitimises the employee feedback and the challenges they report. A senior leader would see that these people have the best interests of SThree at heart and want to see a better organisation. And that can't but help stimulate change."
Leon

Are you going to continue participating in the focus group?

"Yes. As long as I'm invited!"
Raveena

Nomination Committee

Committee meetings held

3

James Bilefield (Chair)	3/3
Barrie Brien	3/3
Denise Collis	3/3
Anne Fahy	3/3

Full biographies are available on pages 100-101.

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

"SThree's purpose is to bring skilled people together to build the future. That future-focus and long-term thinking also applies to how our Nomination Committee keeps our Board's composition under review and ensures we have robust succession plans in place."

James Bilefield
Nomination Committee Chair

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

SThree's purpose is to bring skilled people together to build the future. That future-focus and long-term thinking also applies to how our Nomination Committee keeps our Board's composition under review and ensures we have robust succession plans in place, to safeguard the delivery of our strategy and ensure the long-term success of the Company.

As set out later in this report, during the year, we have overseen a number of key appointments and the ongoing evolution of the Senior Leadership Team at SThree.

The Committee also spent time considering Board succession planning, including the recommendations of the Parker Review and its plans to reach the Parker Review target of having at least one ethnic minority director by 2024.

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 Senior Leadership Team for succession and bench strength purposes.

Summary of core Committee activities carried out during the year:

- Reviewed and approved the Board and senior management succession plans.
- Reviewed the composition and effectiveness of the Board/Committees, with diversity a key criteria.
- Oversaw the search for a new Chief Financial Officer.

Succession planning and diversity

Early in 2021 Alex Smith, who had served on the Board since May 2008, stepped down as Chief Financial Officer. The Committee oversaw an internal and external search for a new Chief Financial Officer, and we were delighted to welcome Andrew Beach to the Board in July 2021. During 2021, the Committee continued to focus on strengthening the Senior Leadership Team, with the appointment of a new President US, Group General Counsel and Company Secretary, Group Corporate Affairs Director, Chief Marketing Officer and Chief Technology and Information Officer. Initiatives are ongoing throughout the Group to ensure that there is an appropriate management pipeline at all levels.

Denise Collis continues to act as the designated NED responsible for employee engagement and to understand and represent the views of employees at Board level. Denise has attended a number of focus groups with a wide range of employees during the year, together with other Board members, held virtually due to Covid-19 constraints. These focus groups have discussed subjects such as executive remuneration, diversity and inclusion, and health and well-being.

The Committee also periodically reviews Board composition to ensure that the Code provisions regarding diversity, over-boarding, Chair tenure and Remuneration Committee Chair experience are all complied with. In November 2021 the Committee considered, in particular, the requirement to refresh Board membership on a gradual basis, taking into account the length of service of current Board members.

The Committee has agreed plans that are designed to achieve a Board, by 2024, with a minimum of 40% female representation and at least one individual from a non-white minority ethnic background. It is the intention of the Committee to add one additional Non-Executive Director during each of the next three years. Given the tenure of existing Directors this would see the size of the Board increase to eight members, consistent with FTSE 250 averages. The Committee acknowledges the importance of diversity in its broadest sense in the boardroom. In filling positions, consideration will be given to the combination of demographics, experience, skills, race, age, gender, education and professional background and other personal objectives needed to support good decision-making.

Selection and appointment of a new Chief Financial Officer

Following the announcement of the departure of Alex Smith, who had served as the Chief Financial Officer since May 2008, an extensive and thorough, externally facilitated, search process commenced. The role of Chief Financial Officer is critical to the future success of our business and we discussed the requirements for the role as part of the creation of a detailed job description. As well as strong financial experience, we sought candidates with the ability to drive growth, embed transformational change and leverage data and KPIs to empower business decisions. The Inzito Partnership, one of the UK's leading boutique executive search firms, was engaged to facilitate the process. The Inzito Partnership has no other connection with the Company or its individual Directors aside from the provision of recruitment services. A quality diverse list of potential candidates was drawn up, with a range of backgrounds and experiences.

Following interviews with selected candidates the Nomination Committee endorsed the appointment of Andrew Beach as the new Chief Financial Officer.

Over the next five weeks, Andrew Beach then received a tailored induction programme. This commenced with one-to-one meetings with Alex Smith and senior members of the wider Finance team, before meeting with other members of the Senior Leadership Team, including the leaders of major operating divisions, fellow Directors and key external advisors.

Subsequent to year end, Mark Dorman stepped down as an Executive Director and as Chief Executive Officer. On the recommendation of the Nomination Committee, Timo Lehne, was appointed as interim Chief Executive Officer from 1 January 2022, and joins the Board for the period he is in that role. Timo has a wealth of staffing and recruitment industry experience and is an experienced SThree veteran, having been responsible for SThree's largest region, DACH, immediately prior to his interim appointment. In accordance with governance best practice, a full search has been instigated to find a permanent replacement for Mark and will consider both internal and external candidates. We will report on the search process and results next year.

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, and election/re-election of Directors.

Nomination Committee continued

Commitment

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

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

Development

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

Induction arrangements are tailored for new appointments to ensure that these are appropriate to each role, dependent on previous experience. Details of Andrew Beach's induction are set out on page 113.

Directors and other Senior Executives are invited to attend analyst briefings and Capital Markets Days presentations, and major shareholders are invited to meet any relevant new NEDs.

As part of the annual Board evaluation process, the Chair assesses any training and development needs in respect of individual Directors.

James Bilefield
Chair
28 January 2022

Board evaluation

For the two years prior to this reporting period, we have carried out internal reviews of the Board's effectiveness. This year we commissioned an external review by an independent consultant, Elaine Sullivan of Manchester Square Partners LLP ('MSP'). Other than carrying out this evaluation, MSP have no other connection with SThree.

The Chair provided a comprehensive brief to MSP and the review was undertaken from November 2021 through to January 2022. MSP had access to Board and Committee papers for the prior 12 months and observed the November Board meeting. Individual interviews were conducted with all six Board Directors, the General Counsel and Company Secretary, and the interim CEO designate.

MSP prepared a report based on their observations and the information compiled from their discussions. Following discussion with the Chair, Elaine Sullivan presented the report to the Board in January 2022.

The report covered a number of areas, including:

- Strategy Development and Review, and Strategic Priorities
- Operational Challenges, Perceived Risks and Risk Management
- Relationship with Stakeholders
- Talent Management and Succession Planning
- Purpose, Values and Culture
- Board Role, Modus Operandi and Dynamics
- Board Value Add
- Board Composition, Succession and Engagement
- Board Committees

We were pleased MSP felt the Board was highly professional and effective, with good levels of commitment to the success of the business and its people, with an open, honest and collaborative dynamic.

The report observed that the Board was providing good leadership and support to the business, noting there was clarity and alignment on the role of the Board and of the immediate strategic priorities. The decision-making processes work well and Board processes are effective, efficient and thorough. The Board Committees also worked well. Based on MSP's review, the Board agreed a number of areas for focus and action which will further support our continuous development. These include the following:

- maintaining an effective balance of the Board's time between short-and long-term topics;
- ensuring effective support for the Interim CEO and the subsequent permanent CEO appointee;
- focusing on the implementation of the Nomination Committee's NED succession plan;
- evolving risk management oversight; and
- evolving Board meeting cadence and attendance.

Audit Committee

Committee meetings attended

4

Anne Fahy (Chair)	4/4
Barrie Brien	4/4
Denise Collis	4/4
James Bilefield	2/2

Full biographies are available on pages 100-101.

"2021 has continued to be a challenging year as a result of the global Covid pandemic resulting in limited team time together, remote working and heavy workloads for Finance and business support activities. However, the Committee and I are very proud of what management and the Committee have been able to achieve in terms of improved internal control and risk management, early adoption of TCFD and other significant achievements."

Anne Fahy
Audit Committee Chair

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

The Audit Committee assists the Board in carrying out its oversight responsibilities regarding the Company's financial and corporate reporting, risk management and internal controls and in overseeing the relationship with the external auditor. This report sets out how the Committee has discharged its responsibilities during the year and, in relation to the financial statements, the significant issues it considered and how they were addressed.

In 2021, the Committee supported management in committing to early adoption of the recommendations of the Taskforce for Climate-related Financial Disclosure ('TCFD'), which includes climate-related scenario analysis to identify and respond to the business's exposure to climate-related risks and opportunities. This year the Committee considered the Group's progress in relation to meeting that commitment and I am pleased to see that the recommended disclosures are included in this year's Annual Report. I anticipate these disclosures will evolve and continue to be refined and evolve over the coming years.

Together with management the Committee also considered the proposals set out in the Department for Business, Energy and Industrial Strategy's ('BEIS') white paper on restoring trust in audit and corporate governance. We have assessed the potential impact and are planning for anticipated changes.

Audit Committee continued

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

During the year, the Company continued to improve and evolve its Enterprise Risk Management framework by developing and embedding the necessary capabilities within the organisation to support informed risk taking by the business. Management together with the Board further reviewed and revised risk appetites setting out risks that should be avoided and those that can offer sustainable and positive returns.

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

Internal Audit ('IA') continues to play an important role in the Group's governance, providing regular updates to the Committee, with tracking of remedial action in the case of any control failures. At the start of each year, an annual IA plan is presented for the Committee to agree, after appropriate review and challenge.

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

- revenue recognition; and
- impairment of investments' carrying value (Company only).

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

Committee composition

The Committee consists of Anne Fahy (Chair), Barrie Brien and Denise Collis. James Bilefield stood down from the Committee on 1 June 2021. James continues to attend meetings by invitation, as do the Group Chief Executive Officer, Chief Financial Officer, Group General Counsel & Company Secretary, the external auditors, Head of Risk, Internal Audit and certain Finance function heads.

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

The Committee comprises all three of SThree's independent Non-Executive Directors. James Bilefield, the Chair of the Board, was a member of the Committee until 1 June 2021, when he stood down to reflect the requirements of the Corporate Governance Code.

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

The Committee's principal responsibilities

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

Summary of core Committee activities carried out during the year:

- Approved annual Committee programme/cycle of work.
- Reviewed and recommended to the Board the full-and half-year financial results for publication.
- Approved the external audit plan and reviewed the audit results.
- Approved the Internal Audit plan and reviewed all reports/findings.
- Reviewed the effectiveness of the Internal Audit function.
- Reviewed the performance, independence and effectiveness of the external auditors.
- Reviewed any non-audit services provided by the external auditors.
- Reviewed the risk management and controls framework and effectiveness, together with the Group's principal risks.
- Considered the Code requirements concerning fair, balanced and understandable reporting.
- Reviewed the Company's going concern and long-term viability statements.
- Discussed and reviewed management's proposed plan to early adopt TCFD, considering the risks and opportunities of climate change and the adopted scenarios by the Company.
- Reviewed and supported the Company's response to the BEIS white paper on restoring trust in audit.
- Reviewed and approved updated policies on anti-bribery and corruption, and gifts hospitality and charitable donations.
- Recommended the Audit Committee report for approval by the Board.
- Held discussions with the external auditors and Head of IA without management present.

The Committee also considered, amongst other matters, technical accounting matters and their appropriate disclosure, going concern/viability and scenario modelling, as well as fraud and whistleblowing, whilst also supporting the Board in its discussions on crisis management, systems implementation and other key risk areas. The Committee aspires to best practice governance and reporting.

As in prior years, it also took the opportunity to review its Terms of Reference in line with best practice guidance.

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.

Significant progress was made towards reaching a fully integrated system of SThree internal controls, risk management and policies. Areas were identified that could be strengthened to drive a future-proof, appropriately resourced and fully compliant system of internal control and corporate governance policies. Management established a process for regular self-assessment style attestation by risk relating to internal controls over financial reporting and their owners. Alongside this, in the second half of the year, the Finance team has made significant progress in enhancing it's existing internal controls over the financial reporting framework testing programme focusing on full compliance with the emerging external requirements, with the implementation of the new testing programme during 2022.

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

A key focus area for the Committee this year, in light of the ongoing uncertainty created by Covid-19 was consideration of the macro-environmental challenges and risks and potential impact on the Company's business.

Audit Committee continued

External auditors

Responsibilities in relation to external auditors

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

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

Appointment, objectivity and independence

Following the conclusion of the last formal audit tender in early 2017, both the Committee and the external auditors have safeguards in place to ensure that objectivity and independence are maintained.

The Committee also considers independence taking into consideration relevant UK professional and regulatory requirements. Non-audit services relate to the half-year agreed upon procedures and PwC Viewpoint (regulatory updates) subscription, whilst net revenues generated to the Group through recruitment services provided to PwC as a client are not material.

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

Performance and tendering

During the year, the Committee reviewed performance and fees and met with the external auditors, PwC, regularly, without management present. Prior to their most recent re-appointment, following a robust tender process, PwC originally replaced BDO as auditors in 1999 and became auditors of the public company in 2005.

In light of feedback from a small number of large shareholders regarding the tenure of PwC as external auditors, at its meeting in November 2021, the Committee carefully considered whether it would be appropriate to conduct a tender process for the appointment of new external auditors.

Under current rules SThree is subject to EU PIE Audit regulations, but not the UK CMA Order, and are not required to change auditors until after the audit of the 2026 financial year report and accounts, with new auditors needing to be in place for the 2027 financial year.

Having regard to a number of factors, including the period of significant change during the finance and non-finance transformation across the Group, the current market for re-tendering, the existing non-audit work carried out by other audit firms and resources needed to carry out a successful tender, the Committee concluded that it would not be appropriate to carry out a re-tendering exercise at this time.

In reaching that decision the Committee noted that PwC were still considered to be fully independent, with the audit moving from PwC's London team to a completely new auditing team based in Glasgow following the opening of SThree's Centre of Excellence in Glasgow in 2018, and a new audit partner in the 2019 financial year.

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

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

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

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

Policy on non-audit work

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

The policy aligns with regulations to prohibit a number of non-audit services, whilst also meeting APB Ethical Standards and FRC guidance, to clearly set out:

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

Fees paid to external auditors for non-audit work

Audit fees for the year were £782,000. Prior year fees were £741,000 (£711,000 base fee, plus £30,000 additional audit costs related to the SAP migration to the cloud). The small increase in audit fees reflects the inflation rate of 5% applied to audit services, partially offset by process efficiency savings.

The Committee reviews all non-audit work against policy to ensure it is appropriate and the fees are justified. Non-audit fees have increased compared to the prior year, being £15,700 in 2021 (2020: £12,000), mainly reflecting a non-recurring fee for the review of Switzerland's gender equal-pay analysis.

Areas of key significance in the preparation of the financial statements

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

- Revenue recognition, including the constraint of variable consideration. At each reporting date, a portion of the Group revenue is based on the estimated value of provided service for which no timesheets have been received or approved. The key estimation uncertainty arises from determining the historical shrinkage rate which is used to constrain the variable part of revenue. Previously, the shrinkage rate was based on the prior year expected timesheets versus actual timesheets received in the three months post the year end. However, due to the unprecedented events and environment created by the pandemic, contractors' working hours and holiday take-up patterns changed considerably, resulting in the shrinkage rate drop from 23.7% in 2020 to 8.9% in 2021. This new current year historical rate of 8.9% was viewed as exceptionally low and not representative of the ongoing Group's business performance. Accordingly, management changed a method of estimating the historical shrinkage rate by adopting a full-year average historical rate. The new estimation method applied was considered appropriate by the Committee and in line with IFRS requirements. Further details can be found in note 2 to the Consolidated Financial Statements and draw appropriate attention to the judgements and estimates involved.
- The impairment testing of the Company's investments in subsidiaries, with a particular emphasis on reviewing and challenging the key assumptions used in the calculations of recoverable amounts, including trading growth trajectory and discount rates. Estimates and judgements applied in the valuation of investments were found appropriate and in line with IFRS requirements. In the current year, there were no material indicators of impairment.

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

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

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

Internal Audit ('IA')

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

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

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

For 2021, whilst the programme was again focused on addressing both financial and overall risk management objectives across the Group, with reviews carried out, findings reported to the Committee, recommendations tracked and their closure monitored.

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

Audit Committee continued

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. The IA activity conforms with the International Standards for the Professional Practice of Internal Auditing as supported by the results of both an external evaluation of the IA function which was conducted during 2019 that concluded the IA function was highly effective, and yearly internal assessments of the quality assurance and improvement programme.

Risk Committee

The Risk Committee was created in 2018, with agreed Terms of Reference, and a regular reporting slot at each Audit Committee. Risk Committee meetings consider a range of risks identified, their materiality and the progress of mitigating actions/projects in terms of their successful implementation and their likely effectiveness in reducing risk in line with Group appetite, on a regular basis, and reports in to both the Senior Leadership Team and the Audit Committee on these. Notable activities this year include oversight of a refreshed and enhanced approach to the assessment, management and mitigation of the Group's principal risks. The Risk Committee also provides dynamic input into the IA plan, with emerging risks identified and addressed more seamlessly than before.

Fraud and cyber risks

The Committee reviews the procedures for the prevention and detection of fraud in the Group and has also closely monitored improvements to cyber security protection in the light of increasing risks in this area, having particular regard to data breaches that the Group may face and the processes and controls in place to tackle any security threats.

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

Anti-bribery and corruption, and business ethics

The Group maintains a zero-tolerance approach against corruption. An assessment was carried out and presented to the Committee in July 2021 and a new anti-bribery and corruption policy and gifts, hospitality and charitable contributions policy were introduced, following review and approval by the Committee in November 2021. 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.

Speak Up hotline

The Group has in place a dedicated independent Speak Up (whistleblowing) hotline, which is well publicised across the Group, including via the intranet, with any notification initially reported to the Group General Counsel & Company Secretary and Head of IA, before being reviewed by the Committee. Under this arrangement, employees are able to report any matters of concern, where this does not conflict with local laws or customs (see 'Company information and corporate advisors' section for details). This policy aligns with best practice.

During the year, one matter was raised through the independent whistleblowing line. This Speak Up report was investigated under the supervision of the Group General Counsel, with appropriate actions taken.

Committee evaluation

All members of the Audit Committee participated in the externally facilitated performance evaluation carried out during the year, which concluded that the Committee continues to function effectively.

Anne Fahy
Audit Committee Chair
28 January 2022

Directors' remuneration report

Committee meetings attended

5

Denise Collis (Chair)	5/5
James Bilefield	5/5
Barrie Brien	5/5
Anne Fahy	5/5

Full biographies are available on pages 100-101

"The Committee has sought to make appropriate remuneration decisions in a year that delivered strong business performance as we emerged from the unprecedented market conditions of 2020. Looking forward, the Committee has set appropriate incentive plans to focus management on developing our brand, building upon the strong performance last year and further enhancing shareholder value."

Denise Collis
Remuneration Committee Chair

Dear Shareholder

On behalf of the Board, I am pleased to present this Directors' remuneration report for the period ended 30 November 2021. At the 2021 AGM shareholders approved, by a significant majority, the continued operation of the current remuneration policy, which will be in place until the 2023 AGM. This support reinforces our view that our reward policy continues to reflect our business strategy, with remuneration payments that are strongly linked to performance.

The Annual report on remuneration describes how this policy was implemented in 2021 and how we intend to operate the policy in 2022 and, together with this statement, will be subject to an advisory shareholder vote at the 2022 AGM.

Overall, fixed elements of the remuneration packages are set so that they reflect the calibre and experience of our people 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 holistic view of business success and hence serves to drive performance on a broad, sustainable basis.

An important highlight of 2021 was that we were able to further build upon our global well-being strategy, Thrive, with regular communications and support of our employees, including the provision of an extra well-being day off for every person in late summer.

Directors' remuneration report continued

Relocation of the Chief Executive Officer (CEO) to the US

In May 2021, it was agreed that Mark Dorman, CEO would operate from the US. His current remuneration and benefits remained unchanged, he continued to be paid in GBP and no additional relocation payments were made.

Executive Director succession

As announced on 25 January 2021, Alex Smith, Chief Financial Officer (CFO), stepped down from the Board on 15 July 2021 after over 12 successful years with the Company. Alex continued to be actively employed until 29 October 2021, during which time he was fully engaged in a handover and ongoing support to his successor, as well as taking outstanding holiday. He was then placed on garden leave by the Company for the remainder of the notice period. We would like to thank Alex for his professionalism and commitment to the Company throughout his career.

It is disappointing to have to note that Alex's termination date moved from 25 January 2022 to 16 April 2022 giving rise to a 'notice of notice' scenario. This was done without Remuneration Committee approval.

Action has been taken to ensure that such an issue does not arise again in future, with appropriate feedback given and measures taken. The Company wishes to express its regret to shareholders and reaffirm its commitment to upholding the highest standards of corporate governance.

We provide a full explanation later in the report of the specific details of Alex's leaving arrangements. The 'notice of notice' scenario means that the Group incurred £96,174 amount of additional costs in relation to contractual payments. There could be further additional cost to the extent that the outstanding LTIP awards achieve their performance conditions, because he will have been employed for more of the vesting period.

As announced on 14 June 2021, we were delighted that we were able to secure the services of an experienced CFO in Andrew Beach, who joined the Group on 5 July 2021 and the Board on 15 July 2021.

As announced on 13 December 2021, Mark Dorman, CEO, stepped down from the Board and as CEO of the Group on 31 December 2021. Mark will continue to assist the Group in facilitating a smooth handover and transition until 31 March 2022. From 1 April 2022 it is intended that he will be placed on garden leave for the remainder of his notice period.

We were also pleased that Timo Lehne, previously the Senior Managing Director of SThree's largest region, DACH (Germany, Austria and Switzerland) was appointed as Interim CEO on 1 January 2022.

Remuneration details for both are set out in detail in this report.

Pension update

The departure of Alex Smith, CFO, has enabled us to align the pension rate of our Executives with the percentage pension rate applying to the majority of our UK employees a year earlier than previously noted.

The pension rate for our new CFO was set at 4% of base salary as that was the rate applying to the majority of our UK employees at the time he was appointed. However, from 1 December 2021, as part of overall changes to the UK pension, the prevailing majority rate is now 5% of base salary. Accordingly the pension rate for Andrew Beach will increase to 5% of base salary with effect from 1 December 2021.

The pension rate for Mark Dorman was 5% of base salary and the pension rate for the Interim CEO is also 5% of base salary (as will be the case for the next permanent CEO).

The Group does not operate any defined benefit pension arrangements and therefore there is no on-going or long-term pension liabilities in relation to Executive Directors who have left or retired.

Remuneration payable for performance in 2021

The Group delivered a strong performance, both overall and in comparison with sector peers, particularly in its key markets. In addition, no Government support was received by the Company during the financial year.

This strong performance is reflected in the outcome of the annual bonus plan.

Half of the bonus is determined by adjusted operating profit achievement and the outcome was above the maximum of the target range resulting in a 100% pay-out of this part of the award. Similarly the performance against the targets for net fees, revenue, and employee engagement exceeded the maximum target, resulting in full pay-out of these elements.

Our free cash flow conversion performance was between threshold and target resulting in a partial pay-out. We did not reach the threshold of our customer engagement target resulting in no pay-out for this element of the plan.

The 2019 LTIP award, based on our performance over the three financial years to the end of 2021, was subject to a mix of Earnings Per Share ('EPS'), Total Shareholder Return ('TSR') and Strategic performance measures. Achievement of the stretching EPS and Strategic targets was negatively impacted by Covid-19, but our TSR, measured against our sector peers, was strong over the period.

For the 50% of the award based on the EPS performance condition, this required adjusted EPS for 2021 to be between 35.5p and 46.0p. Actual adjusted EPS performance for 2021 was 31.8p, resulting in 0% vesting of the EPS part of the award.

For the 30% of the award based on our TSR performance, our TSR was required to be between median and upper quartile performance against a peer group. Actual TSR was at the 89th percentile resulting in 100% pay-out of this part of the award.

The final 20% of the award was subject to long-term strategic measures, split equally, between sales employee turnover and an operating profit conversion ratio target. The sales employee turnover target was partially met and we did not reach the threshold for the operating profit conversion ratio target. This resulted in a 4.4% pay-out for this part of the plan.

The overall performance vesting of the 2019 LTIP was 34.4%.

The Committee has considered whether the formula-driven pay-outs under the incentive plans and resultant total remuneration for Directors is appropriate, looking at the broader context within which the performance has been delivered. The Committee is comfortable that there has been a robust link between remuneration and performance and the policy has operated as intended as the outcomes reflect broader reward outcomes across the Group for performance plans that vest this year. We have not adjusted any performance measures for any incentive plans and there was no need to use discretion to adjust the level of remuneration payable.

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

Policy implementation for 2022

The Committee increased the salary of the CFO by 0.8% to £352,873, which is, on a pro-rated basis in relation to his time in role, in line with the budgeted increase for UK employees more broadly. The salary for the Interim CEO is £400,000.

The overall mix of financial and non-financial measures of 80%–20% for the annual bonus scheme continues to remain appropriate. We have this year broadened the specific focus on employee measures adding a suitably stretching diversity, equity and inclusion ('DE&I') target to the existing focus on engagement. To accommodate this we have increased the shared strategic objectives category by 2.5% to 12.5% of the total and reduced personal objectives to 7.5%. DE&I is a core part of our strategy and aligns with our overall purpose.

The LTIP will continue to be based on performance over three years and subject to a two-year holding period post-vesting. For 2022, we intend that the grant level will be unchanged at 150% of base salary in-line with the Remuneration Policy.

It is proposed that the weighting of performance measures is adjusted to accommodate our focus on ESG as reflected in the IMPACT report published in April 2021. The resultant breakdown is 50% EPS, 20% TSR, 20% strategic and 10% ESG. The ESG targets are aligned to the areas set out in the IMPACT report, with the exception of DE&I which is included in the annual bonus, as noted above.

The Committee has set stretching targets, recognising the need to build forward momentum towards the ambitions set out at our Capital Markets Day ('CMD') in November 2019.

The Committee retains discretion to ensure that annual bonus payments and vested awards under the LTIP can be adjusted 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 2022-2024 LTIP awards are set out in the Annual report on remuneration.

Chair and NED fees

Fees for NEDs were last reviewed on 1 December 2018 and for the Chair on 1 December 2019. The Committee and Board have reviewed the fee levels for the Chair and NEDs respectively in November 2021 and have made some changes. Whilst taking into consideration market benchmarks, the key determinant was the increased responsibilities and resultant time commitment required for the Chair and NED's to fulfil their roles.

Directors' remuneration report continued

Shareholder and employee engagement and specific focus on Executive remuneration in broader context

We have not had any specific matters to consult with shareholders on during the year in relation to remuneration matters, but we continue to welcome any feedback either in relation to this report or at any other time of the year. During 2022 we intend to engage our major shareholders and other key stakeholders in relation to the new policy that we will be bringing to our 2023 AGM.

We have built upon the rolling programme of engagement with employees around reward, taking full advantage of virtual meetings technology. I have personally engaged with many employees across a number of our offices around the world, as part of my role as designated NED responsible for employee engagement, during which reward has emerged as an area of discussion. In addition, I recently held a very interactive and productive session with a diverse group, drawn from across the business, to explain our corporate governance and remuneration processes and how our reward policy cascades throughout the Company, accompanied by the Chief People Office and Head of Reward. One of the topics raised was the shape of entry level reward for our sales consultants in a very competitive recruitment market, and we will be giving particular attention to this over the coming year.

During the year I was delighted that we also held the first specific Remuneration Committee meeting looking at a 'fair pay' agenda. This included an in-depth look at DE&I within the broader ESG initiatives, our all-employee reward proposition, packages for the lowest paid employees and options to further enhance employee share ownership. Looking through a vertical lens (from the top to the bottom of the organisation) rather than at horizontal slices by grade level, proved particularly informative for the Committee. A number of follow up actions arose and I am pleased to see real progress being made in addressing these. Where appropriate, specific initiatives have been developed, with targets for improvement incorporated in incentive plans.

We intend to maintain the momentum and hold a similar session in 2022.

Conclusion

The Committee appreciates the support received from shareholders to date on its executive remuneration and governance approach and looks forward to this continued support for the resolution to approve the Annual report on remuneration at the AGM in April 2022.

Denise Collis
Chair of the Remuneration Committee
28 January 2022

Remuneration at a glance

How have we performed?

Bonus - maximum potential 120% of base salary	Threshold	Max	Actual	Achievement %
Group adjusted operating profit £m	39.4	47.3	54.7	100%
Group net fees £m	307.8	337.0	338.5	100%
Free cash flow conversion ratio %	35%	55%	40.3%	33.3%
Group revenue £bn	1.20	1.25	1.27	100%
Employee NPS	17.4	26.0	27.0	100%
Customer NPS	52.0	56.0	50.0	0%
Personal objectives	N/A	N/A	N/A	50%–75%
Total pay-out (% of maximum)				83.3%–85.8%

2019-2021 LTIP award – grant 150% of base salary	Threshold	Max	Actual	Achievement %
EPS (adjusted) (for 50% of the award)	35.5p	46.0p	31.8p	0%
TSR (for 30% of the award)	50th percentile	75th percentile	89th percentile	100%
OP conversion between 18.0% and 22.0% (for 10% of the award)	18.0%	22.0%	17.1%	0%
Sales team turnover (for 10% of the award)	42.0%	40.0%	41.5%	43.8%
Total award (% of maximum)				34.4%

Summary of total reward

	Reward component	CEO	CFO[1]
2021	**Base pay £'000**	**£484.0**	**£139.3**
	Total remuneration £'000	**£1,533.1**	**£293.1**
2020	Base pay £'000	£451.8	£334.9
	Total remuneration £'000	£500.2	£507.8

1 2021 CFO figures relate to Andrew Beach, who joined the Board on 15 July 2021; 2020 CFO figures relate to Alex Smith.

How we will apply the remuneration policy in 2022

Key reward component	Key features
Base salary and core benefits	Interim CEO salary £400,000. CFO salary £352,873, increased by 0.8% pro-rated in line with the average increase for employees. Pension contribution: 5% of salary for Interim CEO and CFO in line with the wider UK workforce.
Annual bonus 80% Group financial targets 12.5% shared objectives 7.5% personal objectives	Maximum of 120% of salary, with one third of any bonus award paid in shares and held for two years.
LTIP award 50% EPS 20% TSR 20% strategic targets (operating profit conversion ratio) 10% ESG (IMPACT targets)	Maximum award of shares worth 150% of annual salary, performance tested, vesting after three years with a further two-year holding period.
Shareholding requirements	Requirement to build up and hold shares equivalent to 200% of salary whilst employed. Post-service requirement to hold the lower of 200% of salary or actual shareholding for two years after cessation of employment.

Remuneration policy

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

The remuneration policy is designed to support the strategic business objectives of the Group so as to attract, retain and motivate Directors and senior managers of a high calibre, in order to deliver sustainable increases in long-term shareholder value.

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
Executive Directors				
Base salary	Sufficient to attract, retain and motivate high-calibre individuals.	Reviewed annually with any increases taking effect from 1 December.	Increases will normally be the equivalent to the average salary increase for employees, other than in exceptional circumstances.	Not applicable.
Benefits	Market competitive benefits package.	Including car allowance, private medical insurance, permanent health insurance, life assurance and housing allowance (if relocated). Other benefits may be introduced to ensure benefits overall are competitive and appropriate for the circumstances.	Cost of insured benefits will vary in line with premiums. Other benefits will be at a level considered appropriate in the circumstances.	Not applicable.
Pension	To provide a competitive pension provision.	Individuals may either participate in a pension plan into which the Group contributes or receive a salary supplement in lieu of pension.	A Group contribution to a pension scheme or cash in lieu, of 5% of salary for the CEO and CFO, aligned with the workforce. For new joiners or internal promotions to Executive Director, a pension contribution in line with the rate applied to the majority of the workforce (currently 5%).	Not applicable.

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
Annual bonus	Incentivises high levels of personal and team performance, focused on the key business strategies and financial/operational measures which will promote the long-term success of the business.	Deferral into shares for one third of any bonus earned, which must be held for two years. Dividends or dividend equivalent payments accrue on deferred shares, payable normally in shares. Bonus may be subject to clawback or malus being applied, if appropriate, in the event of financial misstatement, error, misconduct, reputational damage or corporate failure, which has led to an over-payment.	Maximum bonus payment is 120% of annual salary.	Achievement of agreed strategic and financial/operational annual business targets, weighted in line with business priorities. A majority of the performance conditions will be based on financial metrics. Sliding scales are used for each metric wherever practicable with 20% payable for achieving threshold performance. Normally 50% of the maximum bonus is payable for target performance for any financial metric. Within the maximum limit, the Committee may adjust bonus outcomes, based on the application of the bonus formula set at the start of the relevant year, if for instance it considers the quantum to be inconsistent with the Group's overall performance during the year.
Long-Term Incentive Plan	Incentivises and rewards Executives for the delivery of longer-term strategic objectives and to reward substantial relative and absolute increases in shareholder value.	LTIP awards may be granted each year in the form of a conditional award of shares, a nil cost option or Restricted Stock Units ('RSUs'). LTIP awards normally vest after three years. Dividend equivalent payments accrue on vested LTIP awards, payable normally in shares. Vested LTIP awards must be held for a further two years before the shares may be sold (other than to pay tax). LTIP awards may be subject to clawback or malus being applied, if appropriate, in the event of financial misstatement, error, misconduct, reputational damage or corporate failure, which has led to an over-payment.	The maximum award is 150% of salary p.a. in normal circumstances but may be 175% of salary in exceptional circumstances.	Targets are reviewed annually ahead of each grant to ensure they are aligned to the business strategy and performance outlook. A majority of the performance conditions are based on Group financial performance and shareholder value-based outcomes. No more than 25% of an award may vest for the threshold level of performance. Within the maximum limit, the Committee may adjust vesting outcomes, if it considers the quantum to be inconsistent with the Group's overall performance during the performance period or for other factors, at its discretion.

Remuneration policy continued

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
All-employee share plans	Support and encourage share ownership by employees at all levels.	HMRC-approved SAYE and SIP participation is available to all UK employees, including Executive Directors, on similar terms.	In line with HMRC limits or lower limits specified by the Group from time to time.	Not applicable.
Share ownership requirements	Alignment of Executive Directors' interests with those of investors.	Executive Directors are expected to build and maintain a shareholding equivalent in value to no less than 200% of base salary. Until this threshold is achieved Executive Directors are normally required to retain no less than 50% of the net of tax value from vested LTIP, deferred bonus or other share awards (after the expiry of any relevant holding period). After ceasing employment Executive Directors must normally retain a level of shareholding for two years equivalent to the lower of 200% of salary, and the level of shareholding on ceasing employment with the Group. Self-purchased shares are excluded from this requirement.	Not applicable.	Not applicable.

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

Operation of incentive plans

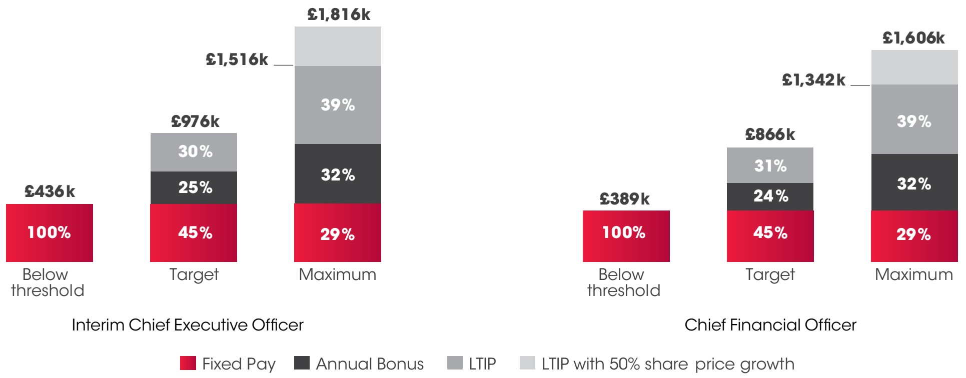
The Committee's policy is to review performance measures for the incentive schemes annually, so that they continually align with strategic objectives. The Committee considers that linking annual bonus and the vesting of LTIP awards to a combination of different measures, capturing share price, financial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

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

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

Illustration of potential 2022 Executive Directors' remuneration

The charts below show the remuneration potentially payable to Executive Directors under different performance scenarios. The Chief Executive Officer remuneration reflects the remuneration for Timo Lehne, who was appointed interim CEO on 1 January 2022.



Note:
Assumptions for the charts above:
Fixed pay comprises base salary as at 1 December 2021 for Andrew Beach as CFO and 1 January 2022 for Timo Lehne as Interim CEO, pension contribution of 5% salary and the value of benefits received in 2021. 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 awards and the value of all-employee share plans has been excluded. The 'maximum' column includes an additional 50% value of the LTIP to illustrate 50% share price growth.

The interim CEO's benefits have been converted from EUR to GBP.

Role of the Committee in overseeing broader employee pay and differences in remuneration policy for Executive Directors compared to other employees

The Committee actively considers the pay structures across the wider Group when setting policy for Executive Directors to ensure that a consistent approach to reward is adopted that is in line with our values. There is a particular focus in relation to any base salary review.

Overall, compared to most employees, the remuneration policy for Executive Directors is weighted more to long-term share-based incentives and stringent deferral and shareholding requirements. This is to ensure that the relatively higher pay levels are justifiable internally and externally to shareholders as a clear link between the long-term value created for shareholders and the remuneration received by Executives.

Consideration of employment conditions elsewhere in the Group

When setting the Executive Directors' remuneration policy, the Committee takes into account the pay and conditions of employees more generally and, at least once a year, is given full details of the remuneration policy across the Group, with any changes highlighted. As mentioned earlier, the Committee Chair also has responsibility to engage on employee pay.

During the year Denise Collis, Remuneration Committee Chair, met virtually with employees from across the organisation to explain how executive pay aligns to that of the workforce. Virtual meetings were also held with regional management, employees and HR representatives in lieu of the Board's usual rolling programme of office visits. During the year, a first, specific Remuneration Committee meeting took place looking at a 'fair pay' agenda. This included an in-depth look at DE&I within the broader ESG initiatives, the all-employee reward proposition, packages for the lowest paid employees and options to further enhance employee share ownership. Looking through a vertical lens (from the top to the bottom of the organisation) rather than at horizontal slices by grade level, proved particularly informative for the Committee. A number of follow-up actions arose and good progress has been made in addressing these. Where appropriate, specific initiatives have been developed, with targets for improvement incorporated in incentive plans. The Committee intends to maintain the momentum and hold a similar session in 2022.

Consideration of shareholders' views in determining the remuneration policy

The Committee actively consults with shareholders on executive remuneration policy changes. Feedback is taken on board and any proposals are adjusted, as appropriate, given the objective of ensuring that shareholders are supportive of the policy and its implementation. In addition, the Group follows shareholder sentiment on executive pay and takes it into account in considering the application of policy in the years between the development of a new policy. The last exercise was undertaken in 2019, with shareholder feedback incorporated into the policy approved at the AGM in April 2020.

Remuneration policy continued

Remuneration policy for recruitment and promotion

Base salary levels will be set in line with the policy taking account of individual circumstances.

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

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

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

Policy on Directors' service contracts and payments for loss of office

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

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

'Good leavers' (e.g. redundancy or retirement) may generally retain any earned bonus (pro-rata if active employment ceases part way through the year) or share-based awards, with LTIP awards scaled back on a pro-rata basis for the portion of the vesting period elapsed on cessation of active employment, subject to still achieving any relevant performance criteria.

Awards would vest at the normal time and any deferral or holding periods would continue to apply for the normal duration. Only in exceptional circumstances would awards vest or shares be released early, such as serious ill-health.

'Bad leavers', such as a resignation, will lose any entitlement to participate in the current bonus scheme and any LTIP awards will normally lapse on cessation of employment. Deferred bonus shares are beneficially owned, but must be held for a minimum of two years.

External appointments

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

Terms of appointment and remuneration policy for Non-Executive Directors ('NEDs')

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

Non-Executive Director	Date of appointment	Expiry date of current term
James Bilefield	October 2017	30 September 2023
Denise Collis	July 2016	30 June 2022
Anne Fahy	October 2015	30 September 2024
Barrie Brien	September 2017	10 September 2023

The appointment may be terminated by either the Group or the NED giving three-months' notice. Upon termination or resignation, NEDs are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment.

The policy for the remuneration of NEDs is summarised below:

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

Sourcing shares for share plans and Minority Interests

Shares used to settle vested share awards or tracker shares may include new issue shares, treasury, Employee Benefit Trust ('EBT') shares or market purchased shares. The use of new issue or treasury shares is constrained by dilution limits which are reviewed by the Board annually. In order to comply with investor guidelines, the Board has agreed that certain LTIP awards will be satisfied using market purchased shares via the EBT, if appropriate.

Annual report on remuneration

Section 1 – Total reward for 2021

1.1 Directors' remuneration for 2021
1.2 Annual bonus for 2021
1.3 LTIP awards vested by reference to performance over the three years to 2021
1.4 LTIP awards granted during the year

1.1 Directors' remuneration for 2021 (audited)

Director	Salary and fees £'000	Benefits[1] £'000	Pension £'000	Total fixed pay £'000	Annual bonus £'000	Long-Term Incentive Plan[2] £'000	Total variable pay £'000	Other £'000	Total £'000
Mark Dorman	**484.0**	**19.6**	**24.2**	**527.8**	**484.0**	**521.3**	**1,005.3**	**–**	**1,533.1**
Alex Smith[4,6]	**223.2**	**17.8**	**31.9**	**272.9**	**223.2**	**402.5**	**625.7**	**–**	**898.6**
Andrew Beach[5]	**139.3**	**6.0**	**5.7**	**150.9**	**142.2**	**–**	**142.2**	**–**	**293.1**
Anne Fahy	**58.0**	**0.0**	**0.0**	**58.0**	**–**	**–**	**0.0**	**–**	**58.0**
Denise Collis	**70.5**	**0.0**	**0.0**	**70.5**	**–**	**–**	**0.0**	**–**	**70.5**
James Bilefield	**150.0**	**0.0**	**0.0**	**150.0**	**–**	**–**	**0.0**	**–**	**150.0**
Barrie Brien	**48.0**	**0.0**	**0.0**	**48.0**	**–**	**–**	**0.0**	**–**	**48.0**
Aggregate emoluments	**1,173.0**	**43.4**	**61.7**	**1,278.1**	**849.3**	**923.8**	**1,773.1**	**0.0**	**3,051.2**

2020 Director	Salary and fees £'000	Benefits[1] £'000	Pension £'000	Total fixed pay £'000	Annual bonus £'000	Long-Term Incentive Plan[3] £'000	Total variable pay £'000	Other £'000	Total £'000
Mark Dorman	451.8	19.5	22.6	493.9	–	–	0	6.3	500.2
Alex Smith	334.9	27.3	47.8	410	–	97.8	97.8	–	507.8
Anne Fahy	54.1	–	–	54.1	–	–	0	–	54.1
Denise Collis	65.8	–	–	65.8	–	–	0	–	65.8
James Bilefield	140	–	–	140	–	–	0	–	140.0
Barrie Brien	44.8	–	–	44.8	–	–	0	–	44.8
Aggregate emoluments	1,091.4	46.8	70.4	1,208.6	0	97.8	97.8	6.3	1,312.7

Notes:
1. Benefits comprise car allowance, medical cover and life/income protection insurance, as well as payments to cover housing or other related costs when transferred overseas. The pension contribution equates to 5% of salary for Mark Dorman. As agreed on his appointment, Mark Dorman was entitled to up to £60k in relocation/other costs in relation to his relocation from the US. In 2021 there were no costs incurred (2020: £6.3k relating to legal and professional fees). No additional relocation payments are to be made.
2. 2021 LTIP awards relate to those granted in early 2019 and due to vest in February 2022 for Alex Smith and March 2022 for Mark Dorman, based on performance assessed over 2019 to 2021, also including the value of any related dividends accrued during the vesting period on vested awards. The value has been calculated using a share price of 571p, being the average closing share price over Q4 of the financial year.
3. 2020 LTIP awards relate to those granted in early 2018 and vested in early 2021, based on performance assessed over 2018 to 2020, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit included in the table last year was calculated based on the average of the share price over the closing three months of the FY20 financial year, at 264p. The actual share price on the date of vesting on 11 February was 321p and this updated share price has been used for the LTIP values and the totals in the table above.
4. Alex Smith stepped down from the Board on 15 July 2021 and his base pay, benefits, pension and bonus are shown to this date. He remained actively employed providing support and ensuring a smooth handover to his successor until 29 October 2021. The total value of the 2019-2021 LTIP vesting is included in the table.
5. Andrew Beach joined the Group on 5 July 2021 and was appointed to the Board on 15 July 2021. His remuneration as stated in the table is from date of appointment to the Board.
6. There was a pension overpayment of £799.82 to Alex Smith in 2020, which has been recouped.

1.2 Annual bonus for 2021

	Weighting	Threshold (20% payable)	Target (50% payable)	Maximum (100% payable)	Actual performance	Achievement %[1]
Group adjusted operating profit £m	**50%**	39.4	43.8	47.3	54.7	100%
Group net fees £m	**15%**	307.8	324	336.96	338.5	100%
Free cash flow conversion ratio %	**10%**	35%	47%	55%	40.3%	33.3%
Group revenue £bn	**5%**	1.20	1.23	1.25	1.27	100%
Employee NPS	**5%**	17.4	21.7	26	27	100%
Customer NPS	**5%**	52	54	56	50	0%
Personal objectives	**10%**					50%–75%
Total (% of maximum)	**100%**					**83.3%–85.8%**

1 Range for the Executive Directors varies due to personal objectives.

Performance of the CEO and CFO against their personal objectives for 2021 is detailed below:

Director	Personal objective	Assessment of performance by Committee	Overall achievement (out of maximum 100%)
Mark Dorman	Evolution of SLT and leadership organisational design, succession planning and capability	Recruitment, replacement and integration of key members of the Senior Leadership Team. Establishment of an Operations & Strategy Team. Improvement in employee engagement from 5 to 27. Enhanced succession and development plans deployed for key leaders across the organisation.	50%
	Business development Development of M&A strategy and capability • Building of M&A capability • Innovation and Sales Development – development and deployment of technology as an enabler of the strategy	Recruitment of Head of M&A. Development and deployment of Corporate M&A strategy, process and criterion. Detailed market scan and target assessment complete.	
	Executive sponsorship of three-year global operations strategic review	Continuous Improvement of order processing, cash collections, bad debt, and new joiner management. Strategic improvement of 'shrinkage' impacting contract value, delivery of learning management tool, better mapping and management of ECM contract processes enabling growth, and license renewal.	
	Clear execution on portfolio management including expansion plan for USA	Detailed portfolio review with key country strategies and plans in place. Australian business exited, European MBO actively stopped, and USA leadership reset.	

Annual report on remuneration continued

Director	Personal objective	Assessment of performance by Committee	Overall achievement (out of maximum 100%)
Alex Smith	Team	Director of FP&A successfully onboarded.	50%
	Identification and onboarding of replacement	Successful on-boarding, induction of new CFO and active management of the transition process.	
	Reforecast/Strategic planning process	Strengthened the strategic planning process, including development of revised financial principles.	
	Tracker shares (Minority Interest Plan)	Developed a proposal for a programmatic plan to close down the minority interest plans.	
	Investor engagement	Delivery of shareholder orientated ESG impact report.	
Andrew Beach	Global Finance Community – driving Finance team engagement	Good progress on a target operating model and capability review, to be carried forward into 2022.	75%
	Financial performance metrics – using commercial finance data to make better decisions	Good progress and will be carried forward and further developed during 2022.	
	Transformation – driving towards 2024 ambitions	Enhanced three-year budget presentation, approved by the Board in November 2021.	
	Investor Relations – ensuring clarity of message to shareholders	Initial progress and will carry forward and develop during 2022.	

The table below sets out the annual bonus outcome for the Executive Directors. In determining the final outcome, the Committee did not exercise any discretion. One third of the bonus payable will be deferred into shares which must be held for a period of two years.

	Financial element		Shared strategic element		Personal element		
	% achievement	Payment under financial element £	% achievement	Payment under shared strategic element £	% achievement	Payment under personal element £	Total bonus payable £
Mark Dorman	92%	425,894	50%	29,042	50%	29,046	483,978
Alex Smith	92%	196,385	50%	13,391	50%	13,391	223,167
Andrew Beach	92%	121,452	50%	8,282	75%	12,423	142,157

1.3 2019-2021 LTIP award vested by reference to performance over the three years to 2021 (audited)

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

EPS pay-out range	Pay-out range (threshold to maximum)	Actual performance	Vesting level	Vesting % of total LTIP award
Between 35.5p and 46.0p per share	25%–100%	31.7p	0%	0%

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

TSR – Rank of the Company compared to the peer group	Pay-out range	Actual performance	Vesting level	Vesting % of total LTIP award
TSR performance between the median (50th percentile and upper quartile (75th percentile)	25%–100%	89th percentile	100%	30%

Strategic objectives for 20% of the award

Measure	Target	Actual performance	Vesting level	Vesting % of total LTIP award
OP conversion ratio	Financial OP conversion ratio of between 18% and 22% in 2021	17.1%	0%	0%
Sales team retention	Improvement in sales team turnover with 12-24 month between 42% and 40% churn	41.5%	43.8%	4.4%

Number of shares granted vs vested vs lapsed based on assessment targets for 2019-2021 LTIP award granted in 2019

Executive Director	Number of shares granted	Number of shares vested	Number of shares lapsed	Dividend equivalent additional shares	Value of vested shares based on grant price £[1]	Value of vested shares attributable to share price growth £	Value of dividend equivalent additional shares £	Total £'000[2]
Mark Dorman, CEO	248,258	85,351	162,907	5,953	244,957	242,397	33,992	521,346
Alex Smith, CFO	191,672	65,897	125,775	4,594	189,124	187,147	26,232	402,503

1 Due to Mark joining in March 2019 the timing of the grants, and the grant price, for each executive was different. The grant price for Mark Dorman was 287p and for Alex Smith it was 274p.
2 Valuation of shares, including dividend shares, projected to vest, based on the average share price over the last quarter of the financial year, of 571p.

1.4 LTIP awards granted during 2021

	Type	Date of grant	Number of shares	Face value of award[1]	% of award receivable at threshold	Performance period
Mark Dorman	Conditional	16 March 2021	200,563	£726,037	25%	1 December 2020 to 30 November 2023
Andrew Beach	Conditional	19 July 2021	57,377	£262,500	25%	1 December 2020 to 30 November 2023

1. Based on share price at date of grant of 362p for Mark Dorman.
Based on share price at date of grant of 458p for Andrew Beach. Grant level represents 50% of normal annual award.

The performance conditions applying to this award are set out on page 137.

Annual report on remuneration continued

Section 2 – How we will apply our remuneration policy in 2022

2.1 Base salary
2.2 Benefits and pension
2.3 2022 annual bonus including financial, shared and personal measures
2.4 2022 Long-Term Incentive Plan awards
2.5 Non-Executive Directors ('NEDs')
2.6 Payments to departing Directors
2.7 Payments to past directors

2.1 Base salary

The table below illustrates the most recent base salary review (effective for 2022). The average budgeted salary increase for employees was 2.8%.

Executive Director	Base salary 2021 £'000	Increase (from 1 Dec 2021)	Base salary 2022 £'000
Mark Dorman, former CEO	484.0	0.0%	484.0
Timo Lehne, Interim CEO	–	–	400.0
Andrew Beach, CFO[1]	350.0	0.8%	352.8

1 Increase based on 2.8%, pro-rated for time in role.

2.2 Benefits and pension

There are no changes to benefits. The Interim CEO and CFO receive a pension contribution of 5% of salary in line with the rate applying to the majority of the UK workforce.

2.3 2022 annual bonus including financial, shared and personal measures

The maximum annual bonus remains capped at 120% of base salary. One third of bonus is deferred in shares for two years. The bonus metrics and weightings for the 2022 annual bonus scheme are summarised in the table below. As the target ranges for each metric are considered to be commercially sensitive, they will be disclosed retrospectively in the following year's Directors' remuneration report.

Metric	Weighting	Measure	Sub-weighting	Link to strategy/notes
Group financial targets These are considered by the Committee to be the four most relevant financial KPIs for bonus purposes.	80%	Adjusted operating profit	50%	Operating profit is the key underlying measure of profitability used within the business.
		Group net fees	15%	Revenue less cost of sales. A broad indicator of the trading.
		Free cash flow conversion ratio	10%	Free cash flow conversion ratio indicates how efficient the business is in terms of controlling costs and improving consultant productivity, turning profit into cash or collecting cash. As such, it is a key strategic measure.
		Group revenue	5%	Revenue is a headline measure of income generation, used to assess the underlying financial performance delivered by management.
Shared objectives	12.5%	Employee engagement	3.75%	To build further on our employee engagement score from 2021 baseline.
		Improved female representation in leadership roles	3.75%	Building towards our goal of 50% female representation in leadership roles by 2024.
		Customer engagement	5%	To build further on the recent improvements in customer engagement scores.
Personal objectives	7.5%	Personal objectives	7.5%	Delivery versus agreed objectives to produce value or efficiency gains.
Total	**100%**		**100%**	

2.4 Long-Term Incentive Plan awards

LTIP awards to be granted in early 2022 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, a strategic metric, and ESG 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 2020, 2021 and 2022:

LTIP Weighting	EPS	TSR	Strategic	ESG
2020-2022	50%	30%	20%	
2021-2023	50%	30%	20%	
2022-2024	50%	20%	20%	10% (3.3% for each measure)
2020-2022	Between 38.6p (25% vesting) and 46.9p (100% vesting)	Between median (25% vesting) and UQ (100% vesting)	Adjusted operating profit conversion ratio between 18.5% (25% vesting) and 22.0% (100% vesting)	
2021-2023	Between 24.9p (25% vesting) and 38.9p (100% vesting)	Between median (25% vesting) and UQ (100% vesting)	Adjusted operating profit conversion ratio between 18.5% (25% vesting) and 22.0% (100% vesting)	
2022-2024	Between 51.9p (25% vesting) and 63.0p (100% vesting)	Between median (25% vesting) and UQ (100% vesting)	Operating profit conversion ratio Adjusted operating profit conversion ratio between 19.0% (25% vesting) and 23.0% (100% vesting)	1. Positively impacting lives between 135,000 (25% vesting) and 165,000 (100% vesting) 2. Increasing our renewables business between 8.5% (25% vesting) and 9.5% (100% vesting) 3. Carbon reduction (targets to be confirmed in April 2022)

Notes:
Composition of the TSR comparator groups and prior-year strategic targets for each LTIP award are shown under the table in section 3.1. For TSR, the participant group approved for the 2021 grant has remained unchanged for subsequent grants.

ESG measures

The ESG targets are linked to our IMPACT report targets, which run until the end of 2024. Detail and further context on each of the targets is set out below. As gender representation is included in the annual bonus it is not included as a performance target in the LTIP.

Positively impacting lives

The strategy target in relation to this measure is to positively impact 150,000 lives by the end of 2024.

The range below uses 150,000 as the target/ mid-point with a 10% spread either side to set threshold and maximum.

	Threshold (25% vesting)	Maximum (100% vesting)	Range
Number of lives	135,000	165,000	30,000

Annual report on remuneration continued

Increasing our renewables business

The target in relation to this measure is to double the percentage of net fees generated through renewables clients between 2020 and the end of 2024. In 2021 approximately 6.5% of our net fees were from renewables clients, up from 4.5% in 2019.

Threshold represents 90% growth in renewables as a percentage of net fees since 2019 and maximum represents 112% meaning we would exceed our IMPACT report target.

	Threshold (25% vesting)	Maximum (100% vesting)	Range
Renewables as % of net fees	8.5%	9.5%	1.0%

Carbon reduction

The target in relation to this measure was to reduce our absolute carbon emissions by 20% between 2020 and the end of 2024.

The progress to date against this measure has been stronger than expected, in large part due to the Covid-19 pandemic, and we have already reduced our emission by more than 50%.

For this LTIP measure we are proposing to re-baseline this measure and set the target in the context of a broader longer-term ambition. The detail of this will be confirmed on our website in April 2022 and disclosed in full in next year's report.

2.5 Non-Executive Directors ('NEDs')

Fees for NEDs and the Chair were last reviewed on 1 December 2018 and 1 December 2019, respectively. The Committee and Board reviewed the fee levels during the year and, whilst taking into consideration market benchmarks, the key determinant was the increased responsibilities and resultant time commitment required for the Chair and NEDs to fulfil their role.

Accordingly, the fees for the Chair and NEDs are as follows:

Role	**2021 annual fee £'000**	2022 annual fee £'000
Chair	**150**	170
NED base fee (x 3 NEDs)	**48**	55
Committee Chair (Audit and Remuneration)	**10**	10
SID	**7.5**	10
Employee engagement NED	**5**	5
Total (Articles of Association limit is £500k per annum)	**326.5**	370

2.6 Payments to departing Directors (audited)

Alex Smith, CFO

On 25 January 2021 we announced that Alex Smith would be stepping down from the Board during the year. On 16 April 2021 Alex was served a 12 months' notice by the Company, in line with his service contract. An explanation for the difference between the date of announcement and the date notice was served is set out later in this section.

Alex stepped down from the Board on 15 July 2021 and continued to be actively employed until 29 October 2021, during which time he was fully engaged in a handover and ongoing support to his successor, as well as taking outstanding holiday. He was then placed on garden leave by the Company for the remainder of the notice period.

The following arrangements will apply to Alex's remuneration from the date he stepped down from the Board on 15 July 2021, until the end of his employment period.

- He is continuing to receive his salary, pension allowance, and other contractual benefits until 16 April 2022, subject to him not taking up alternative employment (excluding a single NED role). For the remainder of 2021, this amounted to £135,684 in relation to base salary and £19,372 in relation to pension. Alex continued to benefit from car allowance and insured benefits worth £10,844.

- Alex was eligible to receive an annual bonus payment in respect of the financial year ending 30 November 2021, pro-rated to 29 October 2021. This bonus amounted to £104,211, details of which are set out in this report and one third of this amount will be deferred in shares for two years. He is not entitled to participate in the annual bonus plan in FY2022.

- Outstanding long-term incentive plan ('LTIP') awards covering the 2019–2021 and 2020-2022 performance periods will, after application of the performance conditions, be capable of vesting. The 2020–2022 award will be reduced pro rata from the date of grant to the termination date, as a proportion of the original three-year vesting period in line with the remuneration policy in place at the time of grant. Alex was not eligible to participate in the 2021-2023 LTIP.

- Details of the vested 2019-2021 LTIP award, amounting to 70,491 shares worth £402,503 are set out in this report. For the 2020-2022 LTIP award comprising 143,550 shares, where Alex has left part way through the vesting period, a scaled back maximum of 104,912 number of shares may vest, subject to the achievement of the relevant performance conditions. The two-year post-vest holding period will continue to apply to all vested LTIP awards.

- Clawback and malus provisions will continue to apply post-employment.

- Post-employment shareholding guidelines will continue to apply, as per the policy.

A contribution has been made towards legal fees and outplacement services in connection with his departure.

At the time of the announcement of Alex Smith's departure to the market, the Remuneration Committee had approved the severance terms including the provision of 12 months' notice with a termination date of 25 January 2022. The contractual terms and remuneration arrangements were then the subject of significant discussion between the Company and Alex in the period between the Announcement on 25 January 2021 and the signing of a settlement agreement on 16 April 2021. During the course of these discussions a change was made to the termination date from that agreed by the Remuneration Committee, moving it from 25 January 2022 to 16 April 2022. Whilst the leaving arrangements were in line with the Company's approved Remuneration policy and the Listing Rules, the change was not brought to the attention of the Committee, who were fully cognisant of the views of shareholders on the subject of 'notice of notice', and who would have responded accordingly. As a consequence, the final settlement agreement did not receive Remuneration Committee approval. Legal advice has been taken by the Company which has advised that the settlement agreement is valid and enforceable.

On this basis, the Company has accepted that 12 months' notice was served on 16 April 2021 (rather than 25 January 2021). This has resulted in £96,174 in additional cost for contractual payments to Alex whilst on garden leave, plus the additional benefit of 301 shares vesting under the 2019-2021 LTIP and up to 10,609 shares under the 2020-2022 LTIP (subject to the achievement of the performance conditions) caused by the impact of the extended employment peroiod in the calculation for vested LTIP awards.

This is a disappointing situation and action has been taken to ensure that such an issue does not arise again in future, with appropriate feedback given and measures taken. The Company wishes to express its regret to shareholders and reaffirm its commitment to upholding the highest standards of corporate governance.

Annual report on remuneration continued

Mark Dorman, CEO

On 13 December 2021 we announced that Mark Dorman would step down from the Board on 31 December 2021. Mark's 12-month notice period commenced on 13 December 2021.

The following arrangements will apply to Mark's remuneration from the date he stepped down from the Board on 31 December 2021, until the end of his employment period.

- He will continue to receive his salary, pension allowance, and other contractual benefits until 12 December 2022, subject to him not taking up alternative employment (excluding a single NED role).
- Mark was eligible to receive an annual bonus payment in respect of the financial year ending 30 November 2021 and the detail of this is included in this report.
- Mark will be eligible to participate in the 2022 annual bonus plan, pro-rated to 31 March 2022 on the basis that he will be actively employed until that date, to ensure a smooth handover of the business.
- One third of any bonus payments for 2021 and 2022 will be deferred in shares for two years.
- Outstanding long-term incentive plan ('LTIP') awards covering the 2019-2021, 2020-2022 and 2021-2023 performance periods will, after application of the performance conditions, be capable of vesting. The FY2020-2022 and FY2021-2023 LTIP awards will be reduced pro rata from the date of grant to 31 March 2022 (the point at which he ceases active employment) as a proportion of the original three-year vesting period.
- The two-year post-vest holding period will continue to apply to all vested LTIP awards.
- Clawback and malus provisions will continue to apply post-employment.
- Post-employment shareholding guidelines will continue to apply, as per the policy.

A contribution has been made towards legal fees and outplacement services in connection with his departure.

2.7 Payments to past directors (audited)

Gary Elden, former CEO of SThree

During the year, the Company recovered a loan of £87,267 made to Gary Elden in 2006, which related to the Minority Interest scheme. This amount was recouped from the LTIP award that vested in early 2021. It was common practice under the Minority Interest scheme to make loans to employees, with the timing of the loan recovery agreed on a case-by-case basis.

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

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.

Executive Director	Type of award	Dates of LTIP grant/ award	Market price at grant/ award	Shares originally awarded	Face value £	Shares vested (incl. rolled-up dividend shares)	Vesting date	Gain on exercise £	Remaining unexercised at 30/11/2020 (incl. rolled-up dividend shares)
Mark Dorman	LTIP	19/03/2019	287	248,258	712,500	–	19/03/2022	–	248,258
	LTIP	05/02/2020	375	193,562	725,859	–	05/02/2023	–	193,562
	LTIP	16/03/2021	362	200,563	726,037	–	16/03/2024	–	200,563
Alex Smith	LTIP	01/02/2011	371	104,511	388,049	40,685	01/02/2014	130,599	–
	LTIP	30/01/2019	274	191,672	525,181	–	30/01/2022	–	191,672
	LTIP	05/02/2020	375	143,550	538,311	–	05/02/2023	–	104,912
	SAYE	01/05/2021	262	6,868	17,994	–	01/05/2024	–	6,868
Andrew Beach	LTIP	19/07/2021	458	57,377	262,500	–	16/03/2024	–	57,377

1. The TSR comparator group for the 2019-2021, 2020-2022 and 2021-2023 LTIP awards is: Adecco, Amadeus Fire, Brunel, Empresaria, Groupe Crit, Hays, Impellam, Kelly Services, Kforce, Korn Ferry, Manpower, Gattaca, Page Group, ASGN (f.k.a. On Assignment), Randstad, Robert Half, Robert Walters and Staffline.
2. For the 2019-2021 LTIP awards, the 20% of the award based on strategic targets is split between two targets equally: OP conversion ratio between 18.0% and 22.0%/Sales team turnover between 42.0% and 40.0%. Where sliding scales operate, 25% of the award will vest at threshold.
3. For the 2020-2022 LTIP award, the 20% of the award based on strategic targets is on OP conversion ratio between 18.5% and 22.0%. Where sliding scales operate, 25% of the award will vest at threshold.
4. For the 2021-2023 LTIP awards, the 50% of the award based on EPS requires the Company to achieve an EPS of between 24.9p (25% pay out) and 38.9p (100% pay out). For the strategic measures these require the adjusted OP conversion ratio to be between 14.2% (25% vesting) & 21.0% (100% vesting).
5. For awards which have vested but remain unexercised, dividends are accrued as additional shares, as shown in the final column above.
6. Alex Smith also exercised an option granted in 2011 on 28 January 2021. These 40,685 shares were exercised at £3.21. No additional value arose following share price appreciation.
7. Alex Smith’s 2020-2022 LTIP award has been pro-rated from 143,550 shares to 104,912 reflecting his time in role. These shares are subject to the achievement of the relevant performance conditions. The two-year post-vest holding period will continue to apply to all vested LTIP awards.

Annual report on remuneration continued

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 the interests of connected person and any changes since the start of the year. There have been no changes since the year end and no Director had any other interest in the share capital of the Company or its subsidiaries, or exercised any option during the year, other than as disclosed.

Executive Director	Ordinary shares held at 1 December 2020	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 30 November 2021	Indirect interest (i.e. LTIP/other awards)	Shareholding requirement (% of salary)	Shareholding (% of 2021 salary)[1]
Mark Dorman	4,150	–	–	4,150	441,820	200%	4%[2]
Andrew Beach[2]	n/a	10,005	–	10,005	57,377	200%	15%
Alex Smith[3]	392,645	16,810	–	409,455	303,452	200%	593%
James Bilefield	10,000	–	–	10,000	–	–	–
Anne Fahy	4,000	–	–	4,000	–	–	–
Denise Collis	5,000	–	–	5,000	–	–	–
Barrie Brien	–	–	–	–	–	–	–

1 The value has been calculated using a share price of 520p, being the share on the last day of the financial year.
2 Share interests shown for 2019-2021, 2020-2022 and 2021-2023 LTIP.
3 Shares and share interests shown at date of stepping down from the Board, 15 July 2021.

There have been no changes to the share interests of Directors between the end of 2021 and 28 January 2022, when this report was signed off.

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

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

Total Shareholder Return

3.4 Historical levels of CEO remuneration and incentive plan pay-outs

The table below shows historical levels of CEO total remuneration over a ten-year period, as well as annual bonus and LTIP vesting percentages over the same period.

Year	CEO	CEO total remuneration £'000	Annual bonus (% of maximum)	LTIP awards vesting (% of maximum)
2021	Mark Dorman	1,533.1	83.3%	34.4%
2020	Mark Dorman	500.2	00.0%	[1]
2019	Mark Dorman (appointed 18 March 2019)	629.1	55.7%	[2]
2019	Gary Elden (stepped down 18 March 2019)	832.1	53.2%	63.5%
2018	Gary Elden	1,064.0	73.4%	18.8%
2017	Gary Elden	1,228.9	76.2%	41.0%
2016	Gary Elden	1,058.5	56.4%	50.0%
2015	Gary Elden	1,284.9	92.8%	50.0%
2014	Gary Elden	852.2	54.6%	18.5%
2013	Gary Elden	752.8	44.3%	25.5%
2012	Russell Clements	1,295.0	77.4%	88.0%

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

3.5 Year-on-year percentage change in Directors' remuneration compared to employees

The table below shows the percentage increase for each element of remuneration between FY21 and FY20 and FY20 and FY19 for Directors who served during the year, compared with all Group employees.

	FY21 vs FY20			FY20 vs FY19		
	Salary/fees	Benefits	Annual bonus	Salary/fees	Benefits	Annual bonus
Mark Dorman	7.1%	4.1%	100%	(4.9%)	(2.5%)	(100.0%)
Andrew Beach	n/a	n/a	n/a	–	–	–
Alex Smith	n/a	n/a	n/a	(4.3%)	(4.0%)	(100.0%)
James Bilefield	7.1%	–	–	(6.7%)	–	–
Anne Fahy	7.2%	–	–	(6.7%)	–	–
Denise Collis	7.1%	–	–	(6.7%)	–	–
Barrie Brien	7.1%	–	–	(6.7%)	–	–
Average for all employees	8.8%	(5.0%)	77.3%	(1.5%)	(5.7%)	(3.0%)

Notes:
The fluctuations are mainly as a result of the Directors agreeing to forego their salary/ fees for four months and Executive Directors agreeing to forego the 2020 annual bonus in response to the Covid-19 health crisis.
n/a: comparisons for the following executives cannot be provided as they joined or left part way through the year:
2021 vs 2020: Alex Smith stepped down from the Board on 15 July 2021 and was actively employed until 29 October 2021. Andrew Beach joined the Board on 15 July 2021.
2020 vs 2019: Mark Dorman joined on 18 March 2019. Gary Elden stepped down on 18 March 2019.

Annual report on remuneration continued

3.6 Comparison of CEO remuneration to workforce remuneration by quartiles

The Committee has decided to use Option B in the relevant regulations to calculate the Chief Executive Officer pay ratio, using 2021 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 2021. 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 following table sets out the CEO pay ratio at the median, 25th and 75th percentile.

Financial year	Method	25th percentile pay ratio	Median	75th percentile pay ratio
2021	Option B	59.1	35.1	23.1
2020[1]	Option B	22.1	19.1	10.1
2019	Option B	34.1	26.1	16.1
2018	Option B	39.1	24.1	20.1

1 2020 ratios were incorrect and have been restated.

The three employees used for the 2021 ratio are shown below:

	Employees' salary (£)	Employees' total remuneration (£)	% change 2020 to 2021
Q 25 pay	26,000	26,140	15.6%
Q 50 pay	39,000	43,375	68.3%
Q 75 pay	57,080	67,060	30.4%

Ratios have increased year on year due to a number of factors; CEO pay has increased largely due to the payment of a bonus in 2021 (in 2020 the Executive Directors agreed to forego their annual bonus in response to the Covid-19 health crisis). In addition, the median employee pay year on year has increased due to the role at median quartile being more senior, compared to previous years. This is a result of changes to the workforce during 2020.

The Committee is satisfied the median pay ratio is consistent with the pay, reward and progression policies for the Company's employees. Workforce pay and reward policies across the Group are actively considered by the Committee when determining the Executive Director Remuneration policy and its implementation each year to ensure that our approach to reward across the Group is aligned with our values.

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 2021 compared to 2020. All figures are taken from the relevant sections of the Annual Report.

Item	**2021**	2020	Change
Dividends	**£10.6m**	0	100%[1]
Remuneration paid to employees (incl. Directors)	**£225.9m**	£209.4m	7.9%

1 In response to the Covid-19 health crisis, the Board took the decision to not pay any dividend in the year 2020.

Section 4 – Governance

4.1 The Committee and its advisors
4.2 Statements of voting at most recent AGMs
4.3 Approval

4.1 The Committee and its advisors

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

The Chief Executive Officer, Chief Financial Officer and the most senior HR representative attend meetings by invitation, excluding matters related to their own remuneration. The Committee met five 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 £63,559 (2020: £60,577), both excluding VAT. A representative from Korn Ferry attends each Remuneration Committee meeting and provides input into the papers. Korn Ferry are members of the Remuneration Consultants Group ('RCG') and comply with the RCG Code of Conduct. Korn Ferry has no other relationship with the Company and the Committee are satisfied that their advice was and is objective and independent.

4.2 Statements of voting at most recent AGMs

At the AGMs held in April 2020 and April 2021, the following votes were cast in relation to the binding vote on the remuneration policy and the advisory vote on the Annual report on remuneration.

Resolution	For	%	Against	%	Withheld
Directors' remuneration policy (2020 AGM)*	94,753,657	95.46	4,505,467	4.54	50,380
Directors' remuneration report (2021 AGM)*	95,971,255	98.35	1,613,928	1.65	5,000

* 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
28 January 2022

Directors' report

The Directors present their Annual Report on the activities of the Company and the Group, together with the audited Consolidated Financial Statements for the year ended 30 November 2021.

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. Where reference is made to other sections of the Annual Report, these sections are incorporated into this report by reference. An overview of the principal risks and uncertainties faced by the Group are also provided in the Strategic Report on pages 16-95, along with the Company's Section 172 statement.

These sections, together with the Governance (pages 98-111), Nomination Committee (pages 112-114), Audit Committee (pages 115-120) and Directors' remuneration reports (pages 121-145), provide an overview of the Group, including on environmental and employee matters, and give an indication of future developments in the Group's business, 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, found on pages 167-209.

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 and 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, on page 167.

Business operations and performance

Business model

The Strategic report provides information relating to the Group's activities, its business model, governance, strategy, future developments and the principal risks and uncertainties faced by the business, including analysis using both financial and non-financial KPIs where necessary.

Results and dividends

Results and other key financial information for the year ended 30 November 2021 are set out in the Financial Statements, beginning on page 161.

The Group paid an interim dividend of 3.0 pence per share in December 2021 (2020: nil). The Directors have also recommended a final dividend of 8.0 pence per share to be paid in June 2022 (2020: 5.0 pence) to shareholders on the register at the close of business on 6 May 2022.

Financial instruments

Information and policy in respect of financial instruments and financial risk management is set out in the notes to the financial statements, together with information on price, credit and liquidity risks, on pages 167-209.

Research and development

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.

Events occurring after the reporting period

There have been no significant events affecting the Group since the end of the reporting period until the approval of this report.

Essential contractors and implications following a change of control or takeover

The Group has business relationships with a number of clients and contractors but is not reliant on any single one. There are no significant agreements which the Company is party to that take effect, alter or terminate upon a change of control of the Company following a takeover offer, with the exception of the Citibank and HSBC Revolving Credit Facility agreements. The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that in the event of a takeover, provisions of the Group's share plans and tracker share arrangements may cause options, awards or tracker shares to vest.

Directors and their interests

The Directors of the Company, including their biographies, are shown within the 'Board of Drirectors' section of this Annual Report, on pages 100-101, with further details of Board Committee membership being set out in the 'Our Board' section, on pages 104-106.

All Directors served throughout the financial year, except Andrew Beach, who was appointed as a Director on 15 July 2021, and Timo Lehne, who joined the Board as an Executive Director and Interim Chief Executive Officer on 1 January 2022. Additionally Alex Smith served as a Director until 15 July 2021, and Mark Dorman served as a Director throughout the period, stepping down as a Director and Chief Executive Officer subsequent to the year end on 31 December 2021.

In accordance with the UK Corporate Governance Code, all serving Directors will retire at the 2022 Annual General Meeting and submit themselves for election/re-election. Rules on the appointment and replacement of Directors are governed primarily by the Company's Articles, the UK Corporate Governance Code and the Companies Act 2006.

Other than employment contracts, none of the Directors had a material interest in any contract with the Company or its subsidiary undertakings. Key terms of the Directors' service contracts and interests in shares and options are disclosed in the Directors' remuneration report on pages 121-145.

Directors' indemnities, and Directors' and Officers' insurance

The Directors have the benefit of the indemnity provisions contained in the Company's Articles, and the Company has maintained throughout the year Directors' and Officers' liability insurance for the benefit of the Company, the Directors, and its officers. The Company has entered into qualifying third-party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Conflicts of interest

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. The Board maintains a register of all potential conflicts, which include external appointments, close family members and companies of which a Director maintains a significant shareholding, and is reviewed at every Board meeting.

Shareholders and share capital

Share capital and share rights

SThree plc has a premium listing on the London Stock Exchange, and trades under the STEM ticker. As at 30 November 2021, the issued share capital of the Company was 133,630,777 ordinary shares of 1p each, which includes 35,767 shares held in treasury. 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. Shares acquired by employees under a Company share scheme rank equally with all other shares in issue.

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 relevant 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 1,189,908 shares were purchased in the market during the year at a cost of £5.1 million. Purchases may be made for cancellation, to be held as treasury shares, or for the Employee Benefit Trust ('EBT'). The Company's EBT has waived its right to dividends on shares held in the Trust account. The Directors will seek to renew the authority to purchase up to 10% of the Company's issued share capital at the next AGM.

Substantial shareholdings

As at the date of this report, the Group has been notified, under the Financial Conduct Authority's ('FCA') Disclosure and Transparency Rules ('DTR 5'), of the significant interests in the ordinary share capital of the Company, shown below.

Name of shareholder	Number of shares	Percentage shareholding	Nature of holding
J O Hambro Capital Management Limited	13,265,368	9.98%	Indirect
JP Morgan Asset Management Holdings Inc.	7,954,855	5.96%	Indirect
Legal & General Investment Management Limited	7,030,279	5.48%	Indirect
Harris Associates L.P.	6,575,593	5.17%	Indirect
Kempen	6,673,700	5.00%	Indirect
FMR LLC	6,266,905	4.99%	Indirect
FIL Limited	6,480,078	4.85%	Indirect
F & C Management	6,104,400	4.82%	Indirect
Allianz Global Investors GmbH	6,356,808	4.79%	Indirect
Franklin Templeton Institutional, LLC	5,722,371	4.37%	Indirect

Other than as stated above, as far as the Company is aware, there is no person with a significant direct or indirect holding of securities in the Company. The information provided above was correct at the date of notification. However, since notification of any change is not required until the next notifiable threshold is crossed, these holdings are likely to have changed. Between 30 November 2021 and the date of this report, the Company has not been notified of any changes.

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

Annual General Meeting ('AGM')

The AGM of the Company will be held on 20 April 2022, at 75 King William Street, London, EC4N 7BE. A separate Notice details all business to be transacted.

Directors' report continued

Governance, policies and stakeholders

Information to be disclosed under LR 9.8.4R

Details of the disclosures to be made under Listing Rule 9.8.4R are listed below.

9.8.4R (4): Details of any long-term incentive schemes can be found in the Directors' remuneration report, on pages 121-145.

Aside from the above, the other required disclosures are not applicable.

Related party transactions

Details of any related party transactions undertaken during the year are shown in the notes to the financial statements.

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 the Group's diversity, human rights and anti-bribery and corruption policies, plus detail on environmental matters, including carbon emissions data, is contained in the 'Strategic progress' and 'Responsible business' sections of this Annual Report, whilst information on employee share plans and share ownership is contained in the Directors' remuneration report and the notes to the financial statements.

Section 172 and stakeholder engagement

Information about our stakeholders and how the Board considers their views in regard to principal decisions can be found in the Corporate Governance Report and within the 'Stakeholder engagement' section on pages 76-81.

Health and safety

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 all health and safety legislation, regulations or similar codes of practice, are complied with.

Equal opportunities

The Group is also committed to providing equal opportunities 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.

Greenhouse gas emissions

The Board is conscious of the role that the business plays in building a greener future and its impact on the environment and is committed to our ambitious environmental goals. Details of the business's carbon emissions can be found in the 'Responsible business' section on pages 60-75.

Political donations

No donations for political purposes of any kind were made during the year.

Modern Slavery Act 2015: slavery and human trafficking statement

The Board of Directors has approved and published on its website its Modern Slavery Statement. This statement is made pursuant to Section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for 2021. The Company's Modern Slavery Act statement can be found on our website, www.sthree.com.

Championing human rights

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

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

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

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

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

Independent auditors

A resolution will be put to the forthcoming AGM proposing that PricewaterhouseCoopers LLP be re-appointed as auditors for the ensuing year, having indicated their willingness to continue in office. A formal audit tender was last completed in early 2017. Audit fees and non-audit services are disclosed in the Audit Committee report, on pages 115-120.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Company has also prepared financial statements in accordance with and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

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

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

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

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

Directors' confirmations

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

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

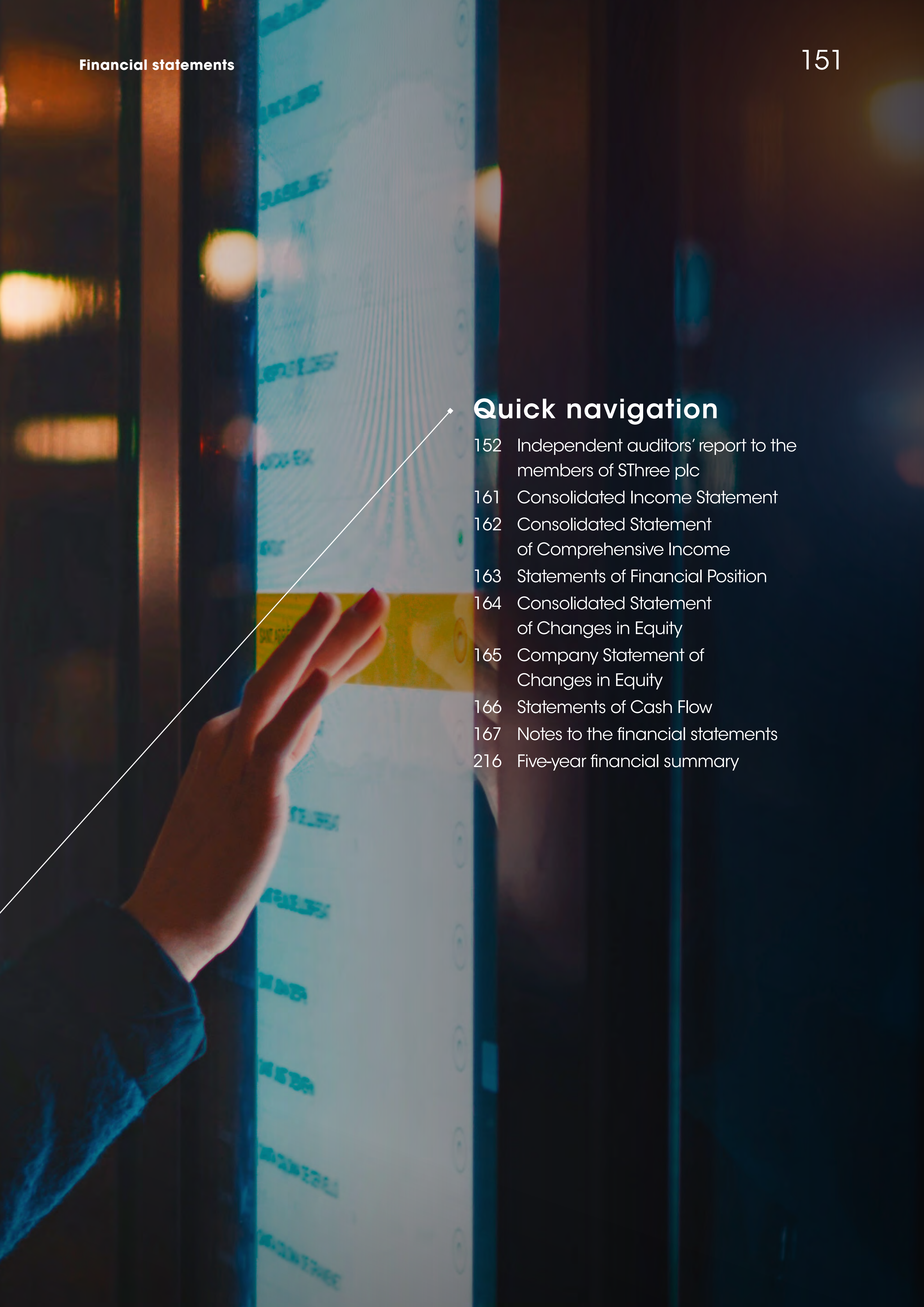
- the Group and Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies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

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

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

Kate Danson
Group General Counsel & Company Secretary
For and on behalf of SThree plc
28 January 2022

Financial statements



Quick navigation

Independent auditors' report to the members of SThree plc

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 2021 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2021 (the 'Annual Report'), which comprise: the Consolidated and Company Statements of Financial Position as at 30 November 2021; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated and Company Statements of Cash Flow for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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

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

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The whole Group was audited by one UK audit team remotely, as the SThree centralised support function teams responsible for processing the transactions of the whole Group are based in London and Glasgow. Our audit was therefore conducted solely from the UK.
- We conducted full scope audits on four components and the audit of specified balances for six components. The remaining components were subject to analytical reviews.
- The ten components where we performed audit work accounts for 79% of Group revenue and 64% of profit before tax and exceptional items.

Key audit matters

- Accrued income cut off (Group)
- Impairment of plc investments in subsidiaries (parent)

Materiality

- Overall Group materiality: £2.99 million (2020: £2.35 million) based on 5% of profit before tax and exceptional items.
- Overall Company materiality: £1.21 million (2020: £1.20 million) based on 1% of net assets.
- Performance materiality: £2.25 million (2020: £1.76 million) (Group) and £0.91 million (2020: £0.90 million) (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.

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.

Impact of Covid-19, which was a key audit matter last year, is no longer included because of our conclusion from the Directors' assessment of the impact of Covid-19 on the Group's current and future operations. We reviewed and agreed with management's assessment that the likely impact of Covid-19 on the Group was considered to be low on the basis that the Group's result has returned to pre Covid-19 levels. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of SThree plc continued

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 within contract assets ('accrued income'). At year end, the accrued income was £82.1 million (2020: £57.8 million). This estimate is a system-generated amount calculated by using standard contractor rates and estimated hours for placed contractors and reduced by a manually calculated historic 'shrinkage' calculation. We focused on this area due to the material quantum of accrued income, the estimation uncertainty and the potential for variances arising from applying the historic 'shrinkage' percentage to the full potential value of unsubmitted timesheets. Refer to Trade and other receivables (note 13 of the financial statements). Details of critical accounting judgements and key sources of estimation uncertainty in this area are set out in note 1 of the financial statements and 'Audit Committee report', including the change in the basis of making the estimate of shrinkage in the year.	For Contract revenue, including accrued income, we: • tested the automated controls in the system to verify the accuracy of the accrued income calculation based on contracted hours and billing rates; • tested the business process controls supporting the accuracy of rates and hours input into the system; and • tested a sample of accrued income and performed a recalculation of the accrual based on timesheets submitted and contract rates. We performed detailed testing over the 12-month rolling average historical shrinkage rate calculation and performed detailed testing over the inputs into the calculation. In addition, we have performed a calculation by applying the 2020 'shrinkage' percentage to the year-end accrued income, and compared it to the 2021 shrinkage adjustment. We have also performed sensitivities of the change in shrinkage rate against the current year accrued income balance. In both instances, this showed that any variance would not be material. We evaluated the change and agreed that the change in basis of making the estimate of shrinkage represents a change in management's estimate which, in accordance with IAS 8, is recognised prospectively. We reviewed management's disclosure on the change in accounting estimate and disclosed sensitivity and performed our own sensitivity analysis. We verified that accrued income was not older than three months in age in accordance with Group policy and examined the ageing profile of the balance,concluding that management were following their accounting policies in this area.

Key audit matter	How our audit addressed the key audit matter
Impairment of plc investments in subsidiaries (parent) The Company holds investments in a number of UK and overseas subsidiaries with a total carrying amount of £206.0 million at 30 November 2021 (2020: £200.1 million). In recent years the UK business has experienced challenging economic conditions and declining performance. In the period 2016 to 2020 impairments totalling of £156.1 million have been recognised. Management performed the impairment review in line with IAS 36: Impairment of Assets and have identified impairment indicators in the UK business. Management has tested for impairment by estimating recoverable amount, being the higher of value in use and fair value less cost to sell. Management determined that value in use is higher and have calculated this by estimating expected future discounted cash flows, based on budgeted cash flows for five years, and a terminal value based on a long-term growth rate beyond five years. In the current year the UK market has experienced a higher than anticipated growth rate, compared to the prior year assumption. As such, in the current year management's impairment test indicated no further impairment is required. We focused on this area due to the material quantum of the carrying value of the UK investments. Judgement is required to determine whether impairment indicators exist which would require an impairment test to be performed and there is estimation uncertainty around the assumptions used in the value-in-use calculation. Refer to Critical accounting judgements (note 12 of the financial statements), 'Chief Financial Officer's review', 'Risk management' and' Audit Committee report'.	We reviewed management's impairment indicator test and agreed with the identified trigger within the UK business. We obtained management's impairment test results with supporting computations and: • agreed cash flow forecasts to Board approved budgets; • checked the mathematical accuracy and integrity of the model; and • assessed key assumptions included within the model, including short-term growth rates, discount rates and long-term growth rates (see below). From these procedures we concluded the model inputs and calculation methodology were reasonable. The model inputs which require management judgement and our procedures are set out below: • Short-term growth assumptions - we considered the Group's forecasts and the history of achieving these. We also sought independent market evidence such as views on the outlook published by the Group's peers or other economic data. We compared the five-year growth assumptions to independent evidence obtained. Based on our review of market data of expected growth within the UK sector and the historic growth achieved in the UK. • Discount rate and long-term growth rate - we used our experts to consider the appropriateness of the pre-tax discount rate of 11.85% and long-term growth rate of 2%. • We reviewed management's assessment of the expected impact of climate change on the short-term cash flows. • We reviewed management's disclosed sensitivities and performed our own sensitivity analysis. We also considered that the disclosures made in the financial statements regarding the assumptions and the sensitivities drew appropriate attention to the more significant areas of estimation. We concluded that while we considered management's short-term growth rates to be optimistic, even after certain downward sensitivities were made, no impairment was required. We reviewed the disclosures of critical accounting estimates and related risk disclosures to ensure they were appropriately described.

Independent auditors' report to the members of SThree plc continued

How we tailored the audit scope

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

The Group's components vary significantly in size and we identified four financially significant components that, in our view, required an audit of their complete financial information due to their relative size or risk characteristics. In addition, we performed testing over specific material balances across a further six components. Together these full and specific scope component audits gave appropriate coverage of all material balances at a Group level. The remaining components were subject to analytical reviews.

Although certain components are based overseas, the audit procedures have been performed by the Group engagement team in the UK as this reflects the centralised shared service structure for finance across the Group. Due to the UK's Covid-19 restrictions, all work has been performed remotely.

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:

	Financial statements - Group	Financial statements - Company
Overall materiality	£2.99 million (2020: £2.35 million).	£1.21 million (2020: £1.20 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 exceptional items, and is an accepted auditing benchmark. In the prior year, an average of profit before tax and exceptional items for the three years ended 30 November 2018, 2019 and 2020 was adopted to take into account and normalise results following the impact of Covid-19.	We believe that net assets is the primary measure used by shareholders in assessing the position of the non-trading holding company, and is an accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.15 million and £2.84 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £2.25 million (2020: £1.76 million) for the Group financial statements and £0.91 million (2020: £0.90 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.29 million (Group audit) (2020: £0.23 million) and £0.12 million (Company audit) (2020: £0.06 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's going concern assessment (which includes a base case, a downside scenario and a severe but plausible scenario) for reasonableness and consistency with our audit work.
- Obtaining an understanding and challenging the forecasted cash flows within the 12-month period from the date of these financial statements and agreeing these to supporting documentation.
- Testing of management's cash flow forecast model, including the mathematical accuracy and its integrity.
- Reviewing available banking facilities, including consideration of covenant requirements.
- Reviewing management's going concern disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations. 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 and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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.

Independent auditors’ report to the members of SThree plc continued

Corporate governance statement

The Listing Rules require us to review the Directors’ statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company’s compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance section of the Annual Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- the Directors’ confirmation that they have carried out a robust assessment of the emerging and principal risks;
- the disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- the Directors’ statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group’s and Company’s ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- the Directors’ explanation as to their assessment of the Group’s and Company’s prospects, the period this assessment covers and why the period is appropriate; and
- the Directors’ statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors’ statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors’ process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors’ statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group’s and Company’s position, performance, business model and strategy.
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems.
- The section of the Annual Report describing the work of the Audit Committee.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors’ responsibilities, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

- enquiries with management, internal audit and the Group's internal legal counsel, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations and performed testing where a provision has been made in respect of these by examining supporting calculations;
- 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, impairment of investments in subsidiaries and the measurement and classification of exceptional items; and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and postings by unusual users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

Independent auditors' report to the members of SThree plc continued

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 obtained 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 during 1999 to audit the financial statements for the year ended 30 November 1999 and subsequent financial periods. The period of total uninterrupted engagement is 23 years, covering the years ended 30 November 1999 to 30 November 2021.

Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
28 January 2022

Consolidated Income Statement

for the year ended 30 November 2021

	Note	2021 Before exceptional items £'000	2021 Exceptional items £'000	2021 Total £'000	2020 Before exceptional items £'000	2020 Exceptional items £'000	2020 Total £'000
Continuing operations							
Revenue	2	**1,330,726**	**–**	**1,330,726**	1,202,622	–	1,202,622
Cost of sales		**(975,013)**	**–**	**(975,013)**	(894,047)	–	(894,047)
Net fees	2	**355,713**	**–**	**355,713**	308,575	–	308,575
Administrative (expenses)/income	3	**(292,325)**	**184**	**(292,141)**	(275,594)	468	(275,126)
Impairment losses on financial assets	3	**(2,579)**	**–**	**(2,579)**	(1,689)	–	(1,689)
Operating profit		**60,809**	**184**	**60,993**	31,292	468	31,760
Finance costs	5	**(869)**	**–**	**(869)**	(1,279)	–	(1,279)
Finance income	5	**34**	**–**	**34**	114	–	114
Profit before income tax		**59,974**	**184**	**60,158**	30,127	468	30,595
Income tax expense	6	**(17,872)**	**(35)**	**(17,907)**	(11,744)	(89)	(11,833)
Profit for the year from continuing operations		**42,102**	**149**	**42,251**	18,383	379	18,762
Discontinued operations							
Loss after tax for the year from discontinued operations	7	**(269)**	**–**	**(269)**	(1,809)	–	(1,809)
Profit for the year attributable to owners of the Company		**41,833**	**149**	**41,982**	16,574	379	16,953

Earnings per share	8	**pence**	**pence**	**pence**	pence	pence	pence
Basic		**31.6**	**0.1**	**31.7**	12.5	0.3	12.8
Diluted		**30.6**	**0.1**	**30.7**	12.2	0.3	12.5

Earnings per share from continuing operations	8	**pence**	**pence**	**pence**	pence	pence	pence
Basic		**31.8**	**0.1**	**31.9**	13.9	0.3	14.2
Diluted		**30.8**	**0.1**	**30.9**	13.5	0.3	13.8

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

for the year ended 30 November 2021

	2021 £'000	2020 £'000
Profit for the year	**41,982**	16,953
Other comprehensive (expense)/income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on retranslation of foreign continuing operations	**(2,694)**	2,955
Exchange differences on retranslation of foreign discontinued operations	**–**	(228)
Items that will not be subsequently reclassified to profit or loss:		
Net loss on equity instruments at fair value through other comprehensive income	**–**	(12)
Other comprehensive (loss)/income for the year (net of tax)	**(2,694)**	2,715
Total comprehensive income for the year attributable to owners of the Company	**39,288**	19,668
Total comprehensive income/(loss) for the year attributable to owners of the Company arises from:		
Continuing operations	**39,557**	21,705
Discontinued operations	**(269)**	(2,037)
	39,288	19,668

The accompanying notes form an integral part of these Consolidated Financial Statements.

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

Statements of Financial Position
as at 30 November 2021

	Note	Consolidated 30 November 2021 £'000	Consolidated 30 November 2020 £'000	Company 30 November 2021 £'000	Company 30 November 2020 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	**38,073**	40,818	**–**	–
Intangible assets	11	**2,459**	4,409	**–**	–
Investments	12	**1**	1	**206,047**	200,143
Deferred tax assets	19	**4,491**	1,482	**346**	1,029
		45,024	46,710	**206,393**	201,172
Current assets					
Trade and other receivables	13	**298,024**	237,042	**580**	8,799
Current tax assets		**–**	377	**5,857**	12,198
Cash and cash equivalents	14	**57,526**	50,363	**4,646**	893
		355,550	287,782	**11,083**	21,890
Total assets		**400,574**	334,492	**217,476**	223,062
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	20	**1,337**	1,330	**1,337**	1,330
Share premium		**35,466**	33,026	**35,466**	33,026
Other reserves		**(4,683)**	(118)	**(2,317)**	(446)
Retained earnings		**126,033**	94,279	**77,119**	87,163
Total equity		**158,153**	128,517	**111,605**	121,073
Current liabilities					
Bank overdraft	14	**24**	468	**–**	–
Trade and other payables	15	**196,080**	157,499	**105,694**	101,989
Lease liabilities	16, 17	**13,081**	12,078	**–**	–
Provisions	18	**6,258**	9,915	**177**	–
Current tax liabilities		**2,987**	–	**–**	–
		218,430	179,960	**105,871**	101,989
Non-current liabilities					
Lease liabilities	16, 17	**21,987**	23,426	**–**	–
Provisions	18	**2,004**	2,589	**–**	–
		23,991	26,015	**–**	–
Total liabilities		**242,421**	205,975	**105,871**	101,989
Total equity and liabilities		**400,574**	334,492	**217,476**	223,062

The accompanying notes form an integral part of these Consolidated Financial Statements.

The Company's loss after tax for the year was £4.0 million (2020: loss of £23.7 million).

The Financial Statements on pages 161 to 166 were approved by the Board of Directors on 28 January 2022 and signed on its behalf by:

Andrew Beach
Chief Financial Officer

Company registered number: 03805979

Consolidated Statement of Changes in Equity

for the year ended 30 November 2021

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury reserve £'000	Currency translation reserve £'000	Fair value reserve of equity investments £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
Balance at 1 December 2019		**1,326**	**32,161**	**172**	**878**	**(5,005)**	**(2,387)**	**(1,996)**	**90,644**	**115,793**
Profit for the year		–	–	–	–	–	–	–	16,953	16,953
Other comprehensive income for the year		–	–	–	–	–	2,727	(12)	–	2,715
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**2,727**	**(12)**	**16,953**	**19,668**
Transfer of loss on disposal of equity investments through other comprehensive income to retained earnings		–	–	–	–	–	–	1,996	(1,996)	–
Dividends paid to equity holders	9	–	–	–	–	–	–	–	(6,659)	(6,659)
Settlement of vested tracker shares	20(a)	–	–	–	–	103	–	–	16	119
Settlement of share-based payments	20(a)	4	865	–	–	5,437	–	–	(5,437)	869
Purchase of shares by Employee Benefit Trust	20(a)	–	–	–	–	(2,031)	–	–	–	(2,031)
Credit to equity for equity-settled share-based payments	20(b)	–	–	–	–	–	–	–	916	916
Current and deferred tax on share-based payment transactions	6	–	–	–	–	–	–	–	(158)	(158)
Total movements in equity		**4**	**865**	**-**	**-**	**3,509**	**2,727**	**1,984**	**3,635**	**12,724**
Balance at 30 November 2020 and at 1 December 2020		**1,330**	**33,026**	**172**	**878**	**(1,496)**	**340**	**(12)**	**94,279**	**128,517**
Profit for the year		–	–	–	–	–	–	–	41,982	41,982
Other comprehensive loss for the year		–	–	–	–	–	(2,694)	–	–	(2,694)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**(2,694)**	**-**	**41,982**	**39,288**
Dividends paid to equity holders	9	–	–	–	–	–	–	–	(6,616)	(6,616)
Distributions to tracker shareholders		–	–	–	–	–	–	–	(87)	(87)
Settlement of vested tracker shares	20(a)	2	964	–	–	2,494	–	–	(3,635)	(175)
Settlement of share-based payments	20(a)	5	1,476	–	–	967	–	–	(2,057)	391
Purchase of shares by Employee Benefit Trust, including share gift	20(a)	–	–	–	–	(5,332)	–	–	–	(5,332)
Credit to equity for equity-settled share-based payments	20(b)	–	–	–	–	–	–	–	1,520	1,520
Current and deferred tax on share-based payment transactions	6	–	–	–	–	–	–	–	647	647
Total movements in equity		**7**	**2,440**	**-**	**-**	**(1,871)**	**(2,694)**	**-**	**31,754**	**29,636**
Balance at 30 November 2021		**1,337**	**35,466**	**172**	**878**	**(3,367)**	**(2,354)**	**(12)**	**126,033**	**158,153**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Company Statement of Changes in Equity
for the year ended 30 November 2021

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury shares £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
Balance at 1 December 2019		**1,326**	**32,161**	**172**	**878**	**(5,005)**	**122,039**	**151,571**
Total comprehensive loss for the year		–	–	–	–	–	(23,686)	(23,686)
Dividends paid to equity holders	9	–	–	–	–	–	(6,659)	(6,659)
Settlement of vested tracker shares	20(a)	–	–	–	–	103	(9)	94
Settlement of share-based payments	20(a)	4	865	–	–	5,437	(5,437)	869
Purchase of own shares by Employee Benefit Trust	20(a)	–	–	–	–	(2,031)	–	(2,031)
Credit to equity for equity-settled share-based payments		–	–	–	–	–	916	916
Current and deferred tax on share-based payment transactions	19	–	–	–	–	–	(1)	(1)
Total movements in equity		**4**	**865**	**–**	**–**	**3,509**	**(34,876)**	**(30,498)**
Balance at 30 November 2020 and at 1 December 2020		**1,330**	**33,026**	**172**	**878**	**(1,496)**	**87,163**	**121,073**
Total comprehensive loss for the year		–	–	–	–	–	(4,043)	(4,043)
Dividends paid to equity holders	9	–	–	–	–	–	(6,616)	(6,616)
Settlement of vested tracker shares	20(a)	2	964	–	–	2,494	980	4,440
Settlement of share-based payments	20(a)	5	1,476	–	–	967	(2,057)	391
Purchase of shares by Employee Benefit Trust, including share gift	20(a)	–	–	–	–	(5,332)	–	(5,332)
Credit to equity for equity-settled share-based payments		–	–	–	–	–	1,520	1,520
Deferred tax on share-based payment transactions	19	–	–	–	–	–	172	172
Total movements in equity		**7**	**2,440**	**–**	**–**	**(1,871)**	**(10,044)**	**(9,468)**
Balance at 30 November 2021		**1,337**	**35,466**	**172**	**878**	**(3,367)**	**77,119**	**111,605**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Statements of Cash Flow
for the year ended 30 November 2021

		Consolidated		Company	
	Notes	**30 November 2021 £'000**	30 November 2020 £'000	**30 November 2021 £'000**	30 November 2020 £'000
Cash flows from operating activities					
Profit/(loss) from continuing operations before tax after exceptional items		**60,158**	30,595	**(4,245)**	(26,226)
Loss before tax from discontinued operations		**(269)**	(1,809)	**–**	–
Profit before tax		**59,889**	28,786	**(4,245)**	(26,226)
Adjustments for:					
Depreciation and amortisation charge	10,11,16	**17,717**	19,440	**–**	–
Impairment of intangible assets	11	**608**	1,124	**–**	–
Loss on disposal of property, plant and equipment	10	**199**	136	**–**	–
Loss on disposal of intangible assets	11	**74**	–	**–**	–
Finance income	5	**(34)**	(114)	**(14)**	–
Finance costs	5	**869**	1,293	**1,571**	1,640
Impairment of investments	12	**–**	–	**–**	12,917
Loss on liquidation of a subsidiary	7	**236**	–	**–**	282
Non-cash charge/(credit) for share-based payments	20(b)	**1,520**	916	**159**	(261)
Operating cash flows before changes in working capital and provisions		**81,078**	51,581	**(2,529)**	(11,648)
(Increase)/decrease in receivables		**(63,559)**	41,225	**8,212**	(4,997)
Increase/(decrease) in payables		**41,074**	(20,088)	**3,610**	25,060
(Decrease)/increase in provisions		**(4,065)**	4,175	**177**	(4)
Cash generated from operations		**54,528**	76,893	**9,470**	8,411
Interest received	5	**34**	114	**14**	–
Income tax (paid)/received – net		**(16,771)**	(10,504)	**7,397**	1,195
Net cash generated from operating activities		**37,791**	66,503	**16,881**	9,606
Cash flows from investing activities					
Purchase of property, plant and equipment	10	**(1,923)**	(4,669)	**–**	–
Purchase of intangible assets	11	**(726)**	(609)	**–**	–
Net cash used in investing activities		**(2,649)**	(5,278)	**–**	–
Cash flows from financing activities					
Proceeds from borrowings	17	**–**	50,000	**–**	50,000
Repayment of borrowings	17	**–**	(50,000)	**–**	(50,000)
Interest paid	16,17	**(869)**	(481)	**(1,571)**	(1,525)
Lease principal payments	16,17	**(12,460)**	(13,579)	**–**	–
Proceeds from exercise of share options		**209**	869	**209**	869
Employee subscriptions for tracker shares		**–**	291	**–**	–
Purchase of shares by Employee Benefit Trust	20(a)	**(5,150)**	(2,031)	**(5,150)**	(2,031)
Dividends paid to equity holders	9	**(6,616)**	(6,659)	**(6,616)**	(6,659)
Distributions to tracker shareholders		**(87)**	–	**–**	–
Net cash used in financing activities		**(24,973)**	(21,590)	**(13,128)**	(9,346)
Net increase in cash and cash equivalents		**10,169**	39,635	**3,753**	260
Cash and cash equivalents at beginning of the year		**49,895**	10,555	**893**	633
Exchange losses relating to cash and cash equivalents		**(2,562)**	(295)	**–**	–
Net cash and cash equivalents at end of the year	14	**57,502**	49,895	**4,646**	893

The accompanying notes form an integral part of these Consolidated Financial Statements.

Notes to the financial statements
for the year ended 30 November 2021

1 Basis of preparation and consolidation

General information
SThree plc is a public limited company listed on the London Stock Exchange, incorporated in the United Kingdom, domiciled in the United Kingdom, and registered in England and Wales. Its registered office is 1st Floor, 75 King William Street, London, EC4N 7BE.

The business model, activities, locations of SThree plc ('the Company') and its subsidiaries (together 'the Group') are set out further in the Strategic report of this Annual Report.

Basis of preparation
The Consolidated and Company-only Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Consolidated and Company-only Financial Statements have been prepared on a going concern basis under the historical cost convention, as modified by financial assets held at fair value through profit or loss or held at fair value through other comprehensive income (see below for further details). The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present an income statement and statement of comprehensive income for the parent Company. The loss after tax for the parent Company for the year was £4.0 million (2020: £23.7 million).

The Consolidated Financial Statements are presented in Sterling, the functional currency of SThree plc.

Going concern
In determining the appropriate basis of preparation of this year's financial statements, the Directors are required to assess whether the Group can continue in operational existence for the foreseeable future. The Directors have undertaken a review of the Group's forecasts and associated risks and sensitivities for at least 12 months from the date of approval of this year's financial statements.

Although the global pandemic and its aftermath continue to create a moderate degree of uncertainty to economic conditions across all of our markets, the Group's business model has proven to be effective and resilient. In 2021 the Group delivered a very strong performance across key markets and sectors, with profit before tax surpassing the pre-pandemic levels of 2019, reflecting the continued strength of demand for the exceptional candidates we work with, their STEM skills and the growth trajectory of our business.

In the assessment of the going concern basis of preparation, the Directors considered the future financial performance based on current trading and its growth trajectory, expected operating cash flows, as well as people and capital resources required to implement strategic initiatives in response to identified market opportunities and emerging risks. The Directors also assessed the Group's financial position, including accessible liquidity with committed borrowing facilities, as set out in note 17 to the financial statements.

At 30 November 2021, the Group had £57.5 million of cash, with no debt except for IFRS 16 lease liabilities of £35.1 million. Debt facilities relevant to the review period comprise a committed £50.0 million RCF (facility expiring in May 2023 with all covenants met) and an uncommitted £20.0 million accordion facility, both jointly provided by HSBC and Citibank. A further uncommitted £5.0 million bank overdraft facility is also held with HSBC. The RCF is subject to covenants that are measured biannually in May and November, on a trailing 12-month basis, being (i) net debt to EBITDA of a maximum of 3.0x and (ii) interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 30 November 2021 was nil, as no debt was drawn at the year end, and interest cover was 92.4 times.

The Group developed a base case that demonstrates the Board's best estimate for the review period (to the end of Q1 2023), as well as a range of downside scenarios which may occur, either through further Covid-19 related impacts, general economic uncertainty or any of the Group's principal risks. This assessment considered the Group's potential responses to changing market conditions and business risks, resilience of its business model and overall level of Group funding and covenant requirements.

The key assumptions of the downside scenarios are shown below.

Notes to the financial statements continued
for the year ended 30 November 2021

1 Basis of preparation and consolidation continued

Scenario 1 Downside scenario – economic downturn

The first scenario considers the downside impact of economic uncertainty triggered by the new Covid-19 variants over the review period, reflected in reduced sales activity for the remainder of 2022 and into Q1 2023.

Under this plausible scenario, productivity is forecast to decline between 14% and 18% against the base case over 2022. While variable costs are forecast to reduce in line with net fees, all other costs are assumed to remain in line with the base case.

Scenario 2 Severe but plausible scenario – demand/operational shock

The second scenario, considered severe but plausible, includes further potential Covid-19 outbreaks and restrictions in all key markets throughout 2022 and into 2023, leading to demand at similar levels to that experienced in 2020 over that period.

Under this severe but plausible scenario, the productivity is forecast to decline between 21% and 24% against the base case over 2022 and in Q1 2023. The impact of this severe but plausible downside is mitigated by the reduction in variable costs in line with net fees, together with further reductions in overheads resulting from the postponement of investment in additional headcount.

Under both scenarios, the Group's day-to-day working capital requirements are expected to be met through existing cash resources and cash equivalents and receipts from its continuing business activities, with sufficient cash headroom for the Group to continue trading throughout 2022 and into 2023. In each of these scenarios the Group is also forecast to be compliant with all covenants throughout the review period, with no requirement to utilise the existing credit facilities.

Through this process, together with their knowledge and experience of the recruitment services industry, STEM markets and the principal risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months, and therefore the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 30 November 2021.

Climate change consideration

Climate change is a significant issue for the world and the transition to a low-carbon economy will create both risks and opportunities for the Group. The climate change scenario analyses conducted in line with TCFD recommendations undertaken this year did not identify any material financial impact. The Group also constantly monitors the latest government legislation in relation to climate-related matters.

The following considerations were also made in respect of the financial statements:

- The impact of climate-related risks as well as opportunities on the long-term viability of the Group. In line with the Group's long-term commitment to the environment and society, the Directors refreshed the ESG strategy. The Directors carried out a detailed assessment of how climate change may emerge across SThree's operations and impact its business model. Having identified risks and opportunities relating to the transitional impact of climate change and using three scenarios of global energy pathways for 2021–2040, SThree's strategic resilience was tested as well as its flexibility to adapt operations and drive continued growth.
- The impact of the potential introduction of emission-reduction legislation in different jurisdictions may increase manufacturing costs among the Group's clients, which in turn could negatively affect their ability to pay debts, resulting in higher expected credit losses for trade and other receivables recognised by the Group. Management identified the need to enhance the Group's existing tools and techniques to monitor and mitigate any potential deterioration in clients' credit risk, in particular for a small proportion of the Group's clients within the Oil & Gas sector (circa 6% of Group net fees) whose operations are heavily exposed to climate-related risks. At present management continues to monitor this sector and provide guidelines to sales teams in line with climate change strategy.

At present, the impact of climate-related matters is not material to the Group's financial statements.

Accounting policies

The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those applied in the previous financial year, except for the adoption of new and amended standards effective as of 1 December 2020 as set out below.

New and amended standards effective in 2021 and adopted by the Group

A number of amended standards became applicable as of 1 December 2020 and were adopted by the Group. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

- Amendments to references to conceptual framework in IFRS standards.
- Amendments to IFRS 3, *definition of a business.*
- Amendments to IAS 1 and IAS 8, *definition of material.*
- Extension of the temporary exemption from applying IFRS 9 (amendments to IFRS 4).
- Amendments to IFRS 16, *Covid-19 rent related concessions.*

New and amended standards that are applicable to the Group but not yet effective

As at the date of authorisation of this Annual Report, the following amendments to existing standards were in issue but not yet effective. These amendments are not expected to have a material impact on the Group in the current or future periods.

- Amendments to IFRS 7, IFRS 9, IFRS 16 and IAS 39, *Interest Rate Benchmark Reform* – phase 2.

The replacement of Interbank Offered Rates ('IBORs') with Alternative Reference Rates ('ARRs') will begin from December 2021. Where floating interest-bearing receivables and payables exist (currently based on IBORs) the Group will apply suitable replacement benchmark rates and account for the instruments in accordance with the amendments to IFRS 9 *Financial Instruments* published in 2019 (Phase 1) and 2020 (Phase 2). The adoption of these amendments and the transition to ARRs are expected to have an immaterial financial impact. The implications on the trading results of our segments of IBOR reform have also been assessed and the expected impact is immaterial. The Group is preparing to move to the new benchmark rates in accordance with timelines as per regulatory guidelines.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group's significant accounting policies relating to specific financial statement items are set out under the relevant notes. Accounting policies that affect the financial statements as a whole and a description of the accounting estimates and judgements are set out below.

Basis of consolidation

The Consolidated Financial Statements of the Group include the financial statements of the Company and all its subsidiaries. Subsidiaries are fully consolidated from the date on which the Group obtains control. The Group has control when it has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. The subsidiaries are deconsolidated from the date on which that control ceases.

When the Group disposes of a subsidiary, the gain or loss on disposal represents: (i) the aggregate of the fair value of the consideration received or receivable; (ii) the carrying amount of the subsidiary's net assets (including goodwill) at the date of disposal; and (iii) any directly attributable disposal costs. Amounts previously recognised in other comprehensive income in relation to the subsidiary are removed from equity and recognised in the Consolidated Income Statement as part of the gain or loss on disposal.

Uniform accounting policies are adopted across the Group. All intra-group balances and transactions, including unrealised profits and losses arising from intra-group transactions, are eliminated on consolidation.

Notes to the financial statements continued
for the year ended 30 November 2021

1 Basis of preparation and consolidation continued

Foreign currencies and translation

Functional and presentation currency

Items included in the financial statements of each Group subsidiary are measured using the currency of the primary economic environment in which that subsidiary operates (its 'functional currency').

Transactions and balances

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

Consolidation

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

Critical accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements

Details of critical accounting judgements which could have a significant impact upon the financial statements are set out in the related notes as follows:

(i) Tracker shares arrangements (refer to note 12 *Investments*).

(ii) Exceptional items (refer to note 3 *Administrative expenses*).

Critical accounting estimates

The assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out in the related notes as follows:

(i) Revenue recognition (refer to note 2 *Segmental analysis*).

(ii) Impairment of investments in subsidiaries (Company only) (refer to note 12 *Investments*).

2 Segmental analysis

Accounting policy

Revenue

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring service to a client. For Permanent placements, the Group principally satisfies its performance obligations at a point in time; for Contract placements, the Group satisfies its performance obligations over time. Revenue is shown net of value added tax and other sales-related taxes, credit notes, rebates and discounts and after elimination of sales within the Group.

Contract revenue for the supply of professional services, which is mainly based on the number of hours worked by a contractor, is recognised when the service has been provided. Revenue from Permanent placements is typically based on a fixed percentage of the candidate's remuneration package and is recognised when the candidate commences employment. Revenue earned but not invoiced at year end is accrued and included in 'Accrued income' (it represents the variable consideration of revenue). The Directors apply a constraint in the form of the historical shrinkage rate to Contract accrued income, aimed at preventing the over-recognition of revenue.

Revenue from retained assignments is recognised on completion of certain pre-agreed stages of the service. Fees received for the service are non-refundable.

A bad debt provision is established for non-fulfilment of Permanent placement and Contract revenue obligations, which is netted off against the gross trade receivables on the face of the statement of financial position.

Cost of sales

Cost of sales consists of the contractors' (including employed contractors) cost of supplying services and any costs directly attributable to them.

Net fees

Net fees represent revenue less cost of sales and consist of the total placement fees of Permanent candidates and the margin earned on the placement of contractors.

Critical accounting estimates

Revenue recognition (Contract assets)

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

Revenue is accrued (known as accrued income) for contracts which are valid in the period, but where no timesheet has been received or approved, and therefore billing and payments to contractors have not taken place. The value of unsubmitted/unapproved timesheets for each individual contractor is system generated and the number of hours worked by each contractor is adjusted for expected holidays and the historical shrinkage rate.

The key estimation uncertainty arises from determining the historical shrinkage rate which is used to constrain the variable part of revenue, i.e. accrued income, at the reporting date. In 2021, the Directors reassessed the approach to determine the historical shrinkage rate, which until 2020 represented a pattern in which prior year income accrued for expected timesheets was reduced versus the actual timesheets received and approved within the three-month period post the reporting date.

In 2021, the historical shrinkage rate declined from 23.7% used in 2020 to 8.9% (being the actual timesheet submitted in the three months post 2020 year end). This significant drop was mainly attributable to events of unusual nature and environment created by the pandemic, including contractors working extra hours and taking less holiday during the health crisis. Additionally, the reduction in shrinkage rate was positively impacted by the operational and control improvements which resulted in more actual timesheets being recorded in the period.

Accordingly, the Directors did not consider the current year historical rate of 8.9% to be fully representative of the ongoing business performance and adopted the new method based on a full-year (12-month rolling) average historical shrinkage rate, giving the average shrinkage rate at approximately 13.6% across the Group in 2021.

This is a change in accounting estimate and therefore, has been made prospectively. The result of this change in estimate resulted in an increase compared to the year ended 30 November 2020 to the Contract assets by approximately £1.5 million (with the corresponding increase in Contract revenue for the same amount), and an increase in accruals of approximately £0.9 million (with the corresponding increase in cost of sales for the same amount), in the year ended 2021.

A 10% increase in this key assumption could have an impact of approximately £0.3 million on the amount of Contract net fees (£1.2 million on revenue less £0.9 million on costs of sales) in the Consolidated Income Statement in the next financial year.

The Group's operating segments are established on the basis of those components of the Group that are regularly reviewed by the Group's chief operating decision maker, in deciding how to allocate resources and in assessing performance. The Group's business is considered primarily from a geographical perspective.

The Directors have determined the chief operating decision maker to be the Executive Committee made up of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief People Officer, with other senior management attending via invitation.

The Group segments the business into the following reportable regions: DACH, EMEA excluding DACH, USA and APAC, as well as presents an analysis of net fees by its five key markets: Germany, the Netherlands, the USA, the UK and Japan.

Notes to the financial statements continued

for the year ended 30 November 2021

2 Segmental analysis continued

DACH region comprises Germany, Switzerland and Austria. 'EMEA excluding DACH' region comprises Belgium, France, Luxembourg, the Netherlands, Spain, the UK, Ireland, and Dubai. All these sub-regions were aggregated into two separate reportable segments based on the possession of similar economic characteristics.

Countries aggregated into DACH and separately into 'EMEA excluding DACH' generate a similar average net fees margin and long-term growth rates, and are similar in each of the following areas:

- the nature of the services (recruitment/candidate placement);
- the methods used in which they provide services to clients (independent contractors, employed contractors, and permanent candidates); and
- the class of candidates (candidates who we place with our clients represent skillsets in Science, Technology, Engineering and Mathematics disciplines).

The Group's management reporting and controlling systems use accounting policies that are the same as those described in these financial statements and the accompanying notes.

Revenue and net fees by reportable segment

The Group assesses the performance of its operating segments through a measure of segment profit or loss which is referred to as 'net fees' in the management reporting and controlling systems. Net fees is the measure of segment profit comprising revenue less cost of sales.

Intersegment revenue is recorded at values which approximate third-party selling prices and is not significant.

	Revenue		Net fees	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
EMEA excluding DACH	**606,248**	588,787	**127,197**	117,629
DACH	**452,456**	371,915	**129,420**	105,764
USA	**254,338**	227,523	**89,260**	77,243
APAC	**17,684**	14,397	**9,836**	7,939
	1,330,726	1,202,622	**355,713**	308,575

EMEA excluding DACH includes Dubai, Belgium, France, Ireland, Luxembourg, the Netherlands, Spain and the UK.

DACH includes Austria, Germany and Switzerland.

APAC includes Hong Kong, Japan, Malaysia and Singapore.

Split of revenue from contracts with customers

The Group derives revenue from the transfer of services over time and at a point in time in the following geographical regions:

2021	**EMEA excluding DACH £'000**	**DACH £'000**	**USA £'000**	**APAC £'000**	**Total £'000**
Timing of revenue recognition					
Over time	**587,220**	**410,510**	**231,812**	**9,558**	**1,239,100**
At a point in time	**19,029**	**41,944**	**22,526**	**8,127**	**91,626**
	606,249	**452,454**	**254,338**	**17,685**	**1,330,726**

2020	EMEA excluding DACH £'000	DACH £'000	USA £'000	APAC £'000	Total £'000
Timing of revenue recognition					
Over time	569,715	335,298	211,800	8,004	1,124,817
At a point in time	19,072	36,617	15,723	6,393	77,805
	588,787	371,915	227,523	14,397	1,202,622

Major customers

In 2021 and 2020, no single customer generated more than 10% of the Group's revenue.

Other information

The Group's revenue from external customers, its net fees and information about its segment assets (non-current assets excluding deferred tax assets) by key location are detailed below:

	Revenue		Net fees	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Germany	**405,308**	336,259	**117,827**	96,866
USA	**254,338**	227,523	**89,260**	77,243
Netherlands	**250,645**	234,547	**55,612**	47,314
UK	**202,368**	186,146	**37,798**	35,057
Japan	**8,189**	7,044	**6,868**	5,899
RoW[1]	**209,878**	211,103	**48,348**	46,196
	1,330,726	1,202,622	**355,713**	308,575

	Non-current assets	
	30 November 2021 £'000	30 November 2020 £'000
Germany	**12,079**	10,725
UK	**11,027**	16,255
USA	**5,304**	6,466
Japan	**4,211**	118
Netherlands	**2,400**	3,928
RoW[1]	**5,512**	7,736
	40,533	45,228

1. RoW (Rest of World) includes all countries other than listed.

Notes to the financial statements continued

for the year ended 30 November 2021

2 Segmental analysis continued

The following segmental analysis by brands, recruitment classification and sectors (being the profession of candidates placed) has been included as additional disclosure to the requirements of IFRS 8.

	Revenue		Net fees	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Brands				
Computer Futures	**448,325**	376,053	**117,384**	95,530
Progressive	**376,844**	372,568	**99,502**	92,295
Real Staffing Group	**294,309**	253,682	**90,394**	75,884
Huxley Associates	**211,248**	200,319	**48,433**	44,866
	1,330,726	1,202,622	**355,713**	308,575

Other brands, including Global Enterprise Partners, JP Gray, Madison Black and Newington International are rolled into the above brands.

	Revenue		Net fees	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Recruitment classification				
Contract	**1,239,100**	1,124,817	**266,163**	233,343
Permanent	**91,626**	77,805	**89,550**	75,232
	1,330,726	1,202,622	**355,713**	308,575

	Revenue		Net fees	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Sectors				
Technology	**674,072**	591,333	**166,538**	138,234
Life Sciences	**271,460**	223,655	**85,439**	71,604
Engineering	**267,407**	271,861	**70,563**	68,083
Banking & Finance	**96,071**	101,196	**25,379**	25,760
Other	**21,716**	14,577	**7,794**	4,894
	1,330,726	1,202,622	**355,713**	308,575

Other includes Procurement & Supply Chain and Sales & Marketing. Engineering includes Energy.

3 Administrative expenses

(a) Operating profit from continuing operations is stated after charging/(crediting):

	2021 £'000	2020 £'000
Staff costs (note 4)	**225,920**	209,397
Depreciation (note 10)	**15,764**	16,285
Amortisation (note 11)	**1,953**	2,786
Impairment of intangible assets (note 11)	**608**	1,124
Loss on disposal of property, plant and equipment (note 10)	**199**	14
Loss on disposal of intangible assets (note 11)	**74**	–
Impairment losses on financial assets	**2,579**	1,689
Service lease charges		
– Buildings	**2,156**	1,892
– Cars	**1,402**	402
Foreign exchange losses	**397**	677
Other operating (income)/expenses (see note 3(b))	**(470)**	1,666

(b) Profit for the year includes the following items that are unusual because of their nature, size or incidence:

Accounting policy

Exceptional items

Exceptional items, as disclosed on the face of the income statement, are items which due to their size and non-recurring nature are classified separately in order to draw them to the attention of the reader of the financial statements and to provide an alternative performance measure ('APM') of the underlying profits of the Group.

Government grant income

Government grants represent assistance by government in the form of transfers of resources to SThree in return for compliance with grant conditions.

A government grant is recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received. The grant is recognised against the related costs for the period in which they are intended to compensate.

Critical accounting judgements

Exceptional items

Exceptional items are those items that the Group considers to be one-off and material in nature that should be brought to the reader's attention in understanding the Group's financial performance.

The term 'exceptional items' is not separately defined within IFRS. Judgement is therefore required in assessing which items of income or expense qualify as exceptional and that disclosure of this APM is useful for readers of the Annual Report.

Notes to the financial statements continued
for the year ended 30 November 2021

3 Administrative expenses continued

	2021 £'000	2020 £'000
1. Net exceptional income	**184**	468
2. Impact of Covid-19:		
Government assistance income	**286**	1,166
Business optimisation expense	**–**	(3,300)
Total	**470**	(1,666)

Net exceptional income
The Group recognised a net exceptional income of £0.2 million (2020: £0.5 million) in relation to a legacy restructuring programme partially funded by a grant receivable from Scottish Enterprise. The Group was entitled to the grant until the end of 2021 and complied with all terms of the grant. The grant has now been fully utilised and no further income is due.

Impact of Covid-19
The Covid-19 health crisis had implications on certain items of income in the Group Consolidated Financial Statements, affecting the profit before tax for the current and prior year. These items were not treated as exceptional.

Government assistance income
The Group took advantage of job retention schemes launched by the national governments of France and Singapore, whereby it was reimbursed for a portion of salaries of furloughed personnel. A benefit of £0.3 million (2020: £1.2 million from local national governments of Belgium, France, Hong Kong, Japan, Luxembourg, Singapore and Spain) was recognised and presented as a deduction in reporting the related staff expense.

Business optimisation expense
In the prior year, in response to the significantly changed economic environment and increased risk and uncertainty caused by Covid-19, the Directors took relevant steps to right-size the structure and strategy of certain local businesses. These changes resulted in a charge of £3.3 million that was recognised in the previous year.

(c) Auditors' remuneration
During the year, the Group (including its subsidiaries) obtained the following services from the Company's auditors and its associates.

Amounts payable to PricewaterhouseCoopers LLP and its associates:	2021 £'000	2020 £'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements:		
– recurring and non-recurring audit fees	**489**	449
Fees payable to the Company's auditors and their associates for other services to the Group:		
– audit of the Company's subsidiaries pursuant to legislation	**293**	292
– audit-related assurance services	**11**	11
– all other non-audit services including Viewpoint subscription and Switzerland gender equal pay analysis	**5**	1
Fees charged to operating profit	**798**	753

4 Directors and employees

Accounting policy

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave or sick leave and any other employee benefits are accrued in the period in which the associated services are rendered by employees to the Group.

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs charged to the income statement represent the contributions payable by the Group to the funds during each period.

Share-based payments

The Group operates a number of equity-settled share-based arrangements, under which it receives services from employees in return for equity instruments of the Group. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date when equity instruments are granted and is recognised as an expense over the vesting period, which ends on the date on which the employees become fully entitled to the award. Fair value is determined by using an appropriate valuation model.

No expense is recognised for awards that do not ultimately vest. For the awards with non-vesting conditions (awards that do not have an explicit or implicit service requirement), the full cost of the award is recognised on the grant date, i.e. they are treated as fully vested irrespective of whether or not the market condition is satisfied.

At the end of the reporting period, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the best estimate of the achievement of non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous year end is recognised in the income statement, with a corresponding credit recognised in equity.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid, up to the fair value of the award, at the cancellation or settlement date, is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Aggregate remuneration of employees, including Directors, in continuing operations was:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Wages and salaries (including bonuses)	**195,414**	182,240	**3,186**	1,313
Social security costs	**25,492**	22,634	**798**	(344)
Other pension costs	**2,115**	2,439	**12**	5
Temporary staff costs	**1,392**	1,014	**–**	–
Share-based payments[1]	**1,507**	1,070	**160**	(211)
	225,920	209,397	**4,156**	763

1. The prior year amount excludes charges classified as exceptional.

The staff costs capitalised during the year on internally developed assets (note 11) and not included in the above amounts were £0.6 million (2020: £0.3 million).

Notes to the financial statements continued
for the year ended 30 November 2021

4 Directors and employees continued

The average monthly number of employees (including Executive Directors), in continuing operations, during the year was:

	2021					
	EMEA excluding DACH	**DACH**	**USA**	**APAC**	**Group total**	**Company total**
Sales	**807**	**777**	**372**	**97**	**2,053**	**–**
Non-sales	**742**	**116**	**112**	**19**	**989**	**8**
	1,549	**893**	**484**	**116**	**3,042**	**8**

	2020					
	EMEA excluding DACH	DACH	USA	APAC	Group total	Company total
Sales	1,019	859	380	88	2,346	–
Non-sales	682	110	112	23	927	9
	1,701	969	492	111	3,273	9

The average number of employees is derived by dividing the sum of the number of employees employed under contracts of service in each month (whether throughout the month or not) by the number of months in the financial year, irrespective of whether they are full-time or part-time.

There were also 3,338 (2020: 2,647) contractors engaged during the year under the Employed Contractor Model. They are not included in the numbers above as they are not considered to be full-time employees of the Group.

Details of the Directors' remuneration for the year, including the highest paid Director, which form part of these financial statements, are provided in the audited information section of the Directors' remuneration report (section 1.1).

Directors' compensation for loss of office was £1.1 million (2020: £nil).

5 Finance income and costs

Accounting policy

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

Continuing operations only	**2021 £'000**	2020 £'000
Finance income		
Bank interest receivable	**28**	105
Other interest	**6**	9
	34	114
Finance costs		
Interest on lease liability	**(607)**	(683)
Bank loans and overdrafts	**(262)**	(596)
	(869)	(1,279)
Net finance costs from continuing operations	**(835)**	(1,165)

6 Income tax expense

Accounting policy

The tax expense comprises both current and deferred tax.

Current tax

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

Deferred tax

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

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

(a) Analysis of tax charge for the year

	2021			2020		
	Before exceptional items £'000	**Exceptional items £'000**	**Total £'000**	Before exceptional items £'000	Exceptional items £'000	Total £'000
Current income tax						
Corporation tax charged on profits for the year	**18,142**	**35**	**18,177**	8,651	89	8,740
Adjustments in respect of prior periods	**1,989**	**–**	**1,989**	438	–	438
Total current tax charge	**20,131**	**35**	**20,166**	9,089	89	9,178
Deferred income tax						
Origination and reversal of temporary differences	**(276)**	**–**	**(276)**	2,582	–	2,582
Adjustments in respect of prior periods (note 19)	**(1,983)**	**–**	**(1,983)**	73	–	73
Total deferred tax (credit)/charge	**(2,259)**	**–**	**(2,259)**	2,655	–	2,655
Total income tax charge in the Consolidated Income Statement	**17,872**	**35**	**17,907**	11,744	89	11,833

The total income tax charge relates entirely to continuing operations.

Notes to the financial statements continued
for the year ended 30 November 2021

6 Income tax expense continued

(b) Reconciliation of the effective tax rate

The Group's tax charge for the year exceeds (2020: exceeds) the UK statutory rate and can be reconciled as follows:

	2021			2020		
	Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Profit before income tax from continuing operations	59,974	184	60,158	30,127	468	30,595
Loss before income tax from discontinued operations	(269)	–	(269)	(1,809)	–	(1,809)
Profit before income tax for the Group	59,705	184	59,889	28,318	468	28,786
Profit before income tax multiplied by the standard rate of corporation tax in the UK at 19.0% (2020: 19.0%)	11,344	35	11,379	5,380	89	5,469
Effects of:						
Disallowable items	1,650	–	1,650	2,183	–	2,183
Differing tax rates on overseas earnings	3,897	–	3,897	2,576	–	2,576
Adjustments in respect of prior periods	6	–	6	511	–	511
Adjustment due to tax rate changes	(149)	–	(149)	115	–	115
Tax losses for which deferred tax asset was not recognised or derecognised	1,124	–	1,124	979	–	979
Total tax charge for the year	17,872	35	17,907	11,744	89	11,833
At the effective tax rate	29.9%	19.0%	29.9%	41.5%	19.0%	41.1%
Effective tax rate attributable to continuing operations	29.8%	–	29.8%	39.0%	–	38.7%

(c) Current and deferred tax movement recognised directly in equity

	2021 £'000	2020 £'000
Equity-settled share-based payments:		
Current tax	4	192
Deferred tax	643	(350)
Deferred tax adjustment on transition to IFRS 16	–	342
	647	184

The Group expects to receive additional tax deductions in respect of share options currently unexercised. Under IFRS, the Group is required to provide for deferred tax on all unexercised share options. Where the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item. In this situation, the excess of the current or deferred tax should be recognised in equity. At 30 November 2021, a deferred tax asset of £1.5 million (2020: £0.7 million) was recognised in respect of these options (note 19).

On transition to IFRS 16 an adjustment to retained earnings was made at 1 December 2019, and a corresponding tax credit was booked to equity of £0.3 million.

7 Discontinued operations

On 1 September 2020, the Group announced its intention to liquidate the Australian subsidiary ('SThree Australia'), the operations of which represented a separate major line of business for SThree. As a result, SThree Australia was treated as discontinued operations for the year ended 30 November 2021 and 30 November 2020.

A single amount was shown on the face of the Consolidated Income Statement comprising the post-tax result of discontinued operations. That is, the income and expenses of SThree Australia were reported separately from the continuing operations of the Group. With SThree Australia being classified as discontinued operations, the APAC segment no longer includes its results in the segmental note. Financial information for SThree Australia operations after intra-group eliminations is presented below.

	2021 £'000	2020 £'000
Revenue	**–**	11,538
Cost of sales	**(20)**	(9,361)
Administrative expenses	**(13)**	(3,972)
Operating loss	**(33)**	(1,795)
Net finance cost	**–**	(14)
Loss before and after income tax from discontinued operations	**(33)**	(1,809)
Reclassification of foreign currency translation reserve	**(236)**	–
Loss on liquidation of the subsidiary before and after income tax	**(236)**	–
Loss from discontinued operations	**(269)**	(1,809)
Exchange differences on retranslation of discontinued operations	**–**	(228)
Total comprehensive loss from discontinued operations	**(269)**	(2,037)
Net cash flows (used)/generated by discontinued operations were as follows:		
Operating activities	**(848)**	291
Investing activities	**–**	(16)
Financing activities	**–**	(343)
Net cash outflow	**(848)**	(68)

Closure-related costs

In the current year, the discontinued operations incurred a total comprehensive loss of £0.3 million (2020: total comprehensive loss of £2.0 million) primarily reflecting a true-up of exit costs/redundancy costs of gradually reduced staff following the business closure and the reclassification of accumulated foreign exchange differences from the Group currency reserve to the Group Consolidated Income Statement.

The total comprehensive loss incurred in the prior year was mainly attributable to closure-related costs of nearly £1.1 million due to redundancy payments and property costs.

Notes to the financial statements continued

for the year ended 30 November 2021

8 Earnings per share

Accounting policy

Basic earnings per share ('EPS') is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year excluding shares held as treasury shares (note 20(a)) and those held in the Employee Benefit Trust ('EBT'), which for accounting purposes are treated in the same manner as shares held in the treasury reserve.

For diluted EPS, the weighted average number of shares in issue is adjusted to assume conversion of dilutive potential shares. Potential dilution resulting from tracker shares takes into account profitability of the underlying tracker businesses and SThree plc's earnings. Therefore, the dilutive effect on EPS will vary in future periods depending on any changes in these factors.

For accounting policy regarding EBT, refer to note 20 *Equity*.

The following table reflects the income and share data used in the basic and diluted EPS calculations.

	2021 £'000	2020 £'000
Earnings		
Continuing operations before exceptional items	**42,102**	18,383
Exceptional items	**149**	379
Discontinued operations	**(269)**	(1,809)
Profit for the year attributable to owners of the Company	**41,982**	16,953

	million	million
Number of shares		
Weighted average number of shares used for basic EPS	**132.3**	132.1
Dilutive effect of share plans	**4.4**	4.3
Diluted weighted average number of shares used for diluted EPS	**136.7**	136.4

	2021 pence	2020 pence
Basic EPS		
Continuing operations before exceptional items	**31.8**	13.9
Exceptional items	**0.1**	0.3
Discontinued operations	**(0.2)**	(1.4)
	31.7	12.8
Diluted EPS		
Continuing operations before exceptional items	**30.8**	13.5
Exceptional items	**0.1**	0.3
Discontinued operations	**(0.2)**	(1.3)
	30.7	12.5

9 Dividends

Accounting policy

Interim dividends are recognised in the financial statements at the earlier of the time they are paid or shareholders' approval. Final dividends declared to the Company's shareholders are recognised as a liability in the Company's and Group's financial statements in the period in which they are approved by the Company's shareholders.

The Company recognises dividends from subsidiaries at the time that they are declared.

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend of nil pence (2019: 5.1 pence) per share[1]	**–**	6,659
Final dividend of 5.0 pence (2019: nil pence) per share[2]	**6,616**	–
	6,616	6,659
Amounts proposed as distributions to equity holders		
Interim dividend of 3.0 pence (2020: nil pence) per share[3]	**3,982**	–
Final dividend of 8.0 pence (2020: 5.0 pence) per share[4]	**10,690**	6,645

1. No interim 2020 dividend was paid due to the economic uncertainty caused by the Covid-19 health crisis (2019: 5.1 pence).
2. 2020 final dividend of 5.0 pence (2019: nil pence) per share was paid on 4 June 2021 to shareholders on record at 7 May 2021.
3. 2021 interim dividend of 3.0 pence (2020: nil pence) per share was paid on 3 December 2021 to shareholders on record at 5 November 2021.
4. The Board has proposed a 2021 final dividend of 8.0 pence (2020: 5.0 pence) per share, to be paid on 10 June 2022 to shareholders on record at 6 May 2022. This proposed final dividend is subject to approval by shareholders at the Company's next Annual General Meeting on 20 April 2022, and therefore has not been included as a liability in these financial statements.

10 Property, plant and equipment

Accounting policy

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

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

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

Gains and losses on disposals are included in the income statement by comparing proceeds with carrying amount.

Residual values and useful lives are reviewed and adjusted if appropriate at the end of the reporting period. Any changes are accounted for prospectively.

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

For accounting policy regarding right-of-use assets, refer to note 16 *Leases*.

Notes to the financial statements continued
for the year ended 30 November 2021

10 Property, plant and equipment continued
The movements of property, plant and equipment by class of assets are as follows:

	Right-of-use assets £'000	Computer equipment £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 December 2019	42,835	12,305	10,841	5,452	71,433
Additions	5,198	4,070	403	149	9,820
Disposals	(2,923)	(301)	(828)	(147)	(4,199)
Reclassification	–	272	–	–	272
Forex revaluation	76	(20)	93	103	252
At 30 November 2020	45,186	16,326	10,509	5,557	77,578
Additions	14,026	1,358	268	297	15,949
Disposals	(7,728)	(804)	(439)	(787)	(9,758)
Forex revaluation	(300)	(254)	(184)	(127)	(865)
At 30 November 2021	**51,184**	**16,626**	**10,154**	**4,940**	**82,904**
Accumulated depreciation					
At 1 December 2019	–	10,317	7,367	4,110	21,794
Depreciation charge for the year					
– *continuing operations*	12,739	1,746	1,282	518	16,285
– *discontinued operations*	310	22	32	5	369
Disposals	(749)	(278)	(739)	(123)	(1,889)
Forex revaluation	8	86	43	64	201
At 30 November 2020	12,308	11,893	7,985	4,574	36,760
Depreciation charge for the year					
– *continuing operations*	12,008	2,256	1,095	405	15,764
Disposals	(5,249)	(695)	(412)	(724)	(7,080)
Forex revaluation	(230)	(154)	(137)	(92)	(613)
At 30 November 2021	**18,837**	**13,300**	**8,531**	**4,163**	**44,831**
Net book value					
At 30 November 2021	**32,347**	**3,326**	**1,623**	**777**	**38,073**
At 30 November 2020	32,878	4,433	2,524	983	40,818

A depreciation charge of £15.8 million (2020: £16.7 million, which also included discontinued operations) was recognised in administrative expenses.

During the year, certain assets related to no longer operational office equipment, with a net book value of £0.2 million (2020: £0.1 million), were disposed of, incurring a loss on disposal of £0.2 million (2020: incurring a loss on disposal of £0.1 million).

For the carrying amount of right-of-use assets per class of underlying asset refer to note 16. During the year, the Group terminated certain lease contracts resulting in the net loss on disposal of £0.8 million.

The Company has no property, plant and equipment.

11 Intangible assets

Accounting policy

Goodwill

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

Acquired and developed software and systems

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

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

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

Assets under construction

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

Trademarks

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

Impairment of intangible assets

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

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

Notes to the financial statements continued
for the year ended 30 November 2021

11 Intangible assets continued

The movements in intangible assets by classes of assets during the year were as follows:

	Goodwill £'000	Computer software £'000	Internally generated: Assets under construction £'000	Internally generated: Software and system development costs £'000	Trademarks £'000	Total £'000
Cost						
At 1 December 2019	206,313	9,078	737	42,159	71	258,358
Additions	–	–	98	510	–	608
Disposals	–	(2)	–	(1,737)	–	(1,739)
Reclassification	–	–	(663)	391	–	(272)
Forex revaluation	–	–	–	(1)	–	(1)
At 30 November 2020	206,313	9,076	172	41,322	71	256,954
Additions	–	4	722	–	–	726
Disposals	–	–	(74)	(2,062)	–	(2,136)
Reclassification	–	–	(137)	84	–	(53)
Forex revaluation	4	(3)	12	(1)	–	12
At 30 November 2021	**206,317**	**9,077**	**695**	**39,343**	**71**	**255,503**
Accumulated amortisation and impairment						
At 1 December 2019	205,480	9,066	–	35,710	71	250,327
Amortisation charge for the year	–	8	–	2,778	–	2,786
Accelerated amortisation and impairment charge	–	–	–	1,124	–	1,124
Disposals	–	(2)	–	(1,737)	–	(1,739)
Reclassification	–	–	–	47	–	47
At 30 November 2020	205,480	9,072	–	37,922	71	252,545
Amortisation charge for the year	–	2	–	1,951	–	1,953
Accelerated amortisation and impairment charge	–	–	–	608	–	608
Disposals	–	–	–	(2,062)	–	(2,062)
Forex revaluation	(1)	–	–	1	–	–
At 30 November 2021	**205,479**	**9,074**	**–**	**38,420**	**71**	**253,044**
Net book value						
At 30 November 2021	**838**	**3**	**695**	**923**	**–**	**2,459**
At 30 November 2020	833	4	172	3,400	–	4,409

Additions to internally generated assets included the development of a new internal learning management system, as well as enhancing existing assets such as developing workstreams to improve the digital workplace. Only costs directly attributable to the development and enhancement of these systems were capitalised during the year in accordance with the strict criteria under IAS 38.

An amortisation charge of £2.0 million (2020: £2.8 million) was included in administrative expenses.

Fair values of certain internally developed assets were assessed as no longer recoverable and an impairment charge of £0.6 million was recognised (2020: £1.1 million). The Group also disposed of £0.1 million (2020: £nil) in assets under construction concluded as tools not intended for future use.

Disclosures required under IAS 36 *Impairment of Assets* for goodwill impairment have not been included on the basis that the goodwill value is not considered material.

The Company has no intangible assets.

12 Investments

Accounting policy

Equity investments

The Group classifies its financial assets in the following measurement categories:

- those measured subsequently at fair value (either through OCI or through profit or loss); and
- those measured at amortised cost.

Classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in either profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsidiaries

Investments in shares in subsidiary companies are stated at cost less impairment loss to the extent that the carrying value exceeds the recoverable amount; the investment is impaired to its recoverable amount with the impairment charged to the Company's income statement. An investment is deemed to be impaired when it has been determined that its carrying value will not be recovered either through actual cash flows or operating profit generation or selling it. If circumstances arise that indicate that investments might be impaired, the recoverable amount of the investment is estimated. The recoverable amount is the higher of the entity's fair value less costs to sell or its value in use. To the extent that the carrying value exceeds the recoverable amount, the investment is impaired to its recoverable amount.

Where share-based payments are granted to the employees of subsidiary undertakings by the Company, they are treated as a capital contribution to the subsidiary and the Company's investment in the subsidiary is increased accordingly.

The investments in shares in the undertakings outside of the Group, in particular where the Group does not have significant influence or control, are classified as financial assets held at fair value through other comprehensive income. At initial recognition, such shareholdings are measured at cost and on subsequent measurement dates they are fair valued on the basis of current prices generated for similar transactions or using an enterprise value to the sales multiple valuation method.

Tracker share arrangements

Over the past years, until 2020, the Group invited selected senior individuals to invest in the businesses they manage, sharing in both the risk and reward. These individuals were offered equity ('tracker shares') in those businesses in return for making an investment. The amount of equity offered varied in different circumstances but was never over 25% of the overall equity of the business in question. The equity stake tracks the performance of the underlying business and the individuals receive dividends (if declared) by the 'tracked' business.

If an individual remains a holder of the tracker shares for a pre-agreed period, typically three to five years depending on the vesting period applied to the tracker shares, they may then offer their vested tracker shares for sale to the Group, but there is no obligation on the Group to settle the arrangement. SThree will undertake a formal due diligence process to establish whether there is a sound business case for settling a tracker share and make an arm's length judgement. Should the Group decide to settle the tracker shares, it will do so at a price which is determined using a formula stipulated in the tracker share Articles of Association ('Articles'). SThree plc may settle in cash or in its shares, as it chooses. The Group policy is to settle in SThree plc shares. Consequently, the arrangements are deemed to be an equity-settled share-based payment scheme under IFRS 2 *Share-based Payments* ('IFRS 2').

Notes to the financial statements continued
for the year ended 30 November 2021

12 Investments continued

Individuals paid the fair value for the tracker shares at the time of the initial subscription, as determined by an independent third-party valuer in accordance with IFRS 2 and taking into account the particular rights attached to the shares as described in the relevant business's Articles. The initial valuation always took into consideration factors such as the size and trading record of the underlying business, expected dividends, future projections, as well as the external market, sector and country characteristics. The external valuer was supplied with detailed financial information, including net fees and EBITDA of the relevant business. Using this information, an independent calculation of the initial Equity Value ('EV') was prepared. This EV was then discounted to arrive at a valuation to take into account the relevant characteristics of the shareholding in the tracked business, for example the absence of voting rights. The methodology for calculating the EV was applied consistently, although the data used varies depending on the size and history of the business.

In 2021 the Directors decided to close the tracker share scheme for any new entrants/investments.

If an individual leaves the Group before the pre-agreed period, they are entitled to receive the lower of the initial subscription amount they contributed or the tracker share fair value on the date of departure as set out under the Articles. To reflect this, a provision in relation to tracker shares is recognised at cost to reflect the consideration for tracker shares received from individuals (note 18).

Up until 2014 certain individuals received loans from the Group to pay part of the initial subscription for their tracker shares, on which interest is charged at or above the HMRC beneficial loan rate. These loans are repayable by the individuals either at the time of settlement of their tracker shares, or via tracker share dividend, or when they leave the Group. These loans are included within other receivables (note 13).

During the vesting period, no share-based payment charge is recognised in the income statement on the basis that the initial subscription by the individual at the grant date equates to the fair value at that date. Dividends declared by the tracked businesses, which were factored into the grant date fair value determination of the tracker shares, are recorded in equity as 'distributions to tracker shareholders'.

When the Company issues new shares to settle the tracker share arrangements, the nominal value of the shares is credited to share capital and the difference between the fair value of the tracker shares and the nominal value is credited to share premium. If the Company uses treasury shares to settle the arrangements, the difference between the fair value of the tracker shares and the weighted average value of the treasury shares is accounted for in the retained earnings.

Critical accounting judgements

Tracker shares arrangements

The tracker share arrangements give the Group the choice to settle tracker shares in either cash or SThree plc shares. There are significant accounting differences between an equity-settled and cash-settled scheme. Judgement is therefore required as to whether this is a cash or equity-settled share-based payment scheme. Based on the Directors' judgement, the tracker share arrangements are accounted for as an equity-settled share-based payment scheme under IFRS 2 as the Group's policy is to settle its obligations under the arrangements in SThree plc shares. The Company settles tracker shares through either treasury shares or the issue of new shares in SThree plc. The Companies Act 2006 does not specify whether the issue of treasury shares to settle share-based payments should be accounted for in share premium or elsewhere. The Company has taken legal advice which confirms this is judgemental and therefore the approach taken by the Company is to include differences between the fair value of the tracker shares settled and the weighted average cost of treasury shares in retained earnings.

Tracker shares can be repurchased from holders with either cash or SThree plc shares at the Company's discretion. Historically, the Company's policy and intention has been to settle tracker shares using SThree plc shares. Therefore, the judgement of the Directors is that this share-based payment scheme is treated as equity-settled.

Impairment of investments in subsidiaries (Company only)

The Company considers whether investments are impaired. Where an indication of impairment is identified, judgement is required in determining the recoverable amount as the Company evaluates various factors related to the operational and financial position of the relevant investee business, appropriate discounting and long-term growth rates.

Group

The following tables provide summarised information of the Group's investment in unlisted technology start-up RoboRecruiter.

		30 November 2021 £'000	30 November 2020 £'000
Equity investments	**Current shareholding**		
RoboRecruiter	<1% (2020: <1%)	**1**	1

Movement in carrying value of the Group's investment in RoboRecruiter	2021 £'000	2020 £'000
At 1 December	**1**	13
Fair valuation change	**–**	(12)
At 30 November	**1**	1

RoboRecruiter is a company that builds automated multichannel platforms connecting candidates with recruiters and employers in real time.

The Group's minority shareholding in RoboRecruiter is less than 1% of the total share capital issued. The investment is a financial asset classified as measured at fair value through other comprehensive income. The fair value was determined based on the recent transaction price and is considered a level 1 valuation under the fair value hierarchy.

Company

Cost	£'000
At 1 December 2019	355,279
Additions	
– Settlement of vested tracker shares	123
– Settlement of unvested tracker shares	75
– Capital contribution relating to share-based payments	1,018
– Disposal of investments	(282)
At 30 November 2020	356,213
Additions	
– Settlement of vested tracker shares	4,610
– Settlement of unvested tracker shares	217
– Capital contribution relating to share-based payments	1,077
At 30 November 2021	**362,117**
Provision for impairment	
At 1 December 2019	143,139
Provision made during the year	12,931
At 30 November 2020	156,070
Provision made during the year	–
At 30 November 2021	**156,070**
Net carrying value	
At 30 November 2021	**206,047**
At 30 November 2020	200,143

During the year, the Company settled a number of vested tracker shares by awarding SThree plc shares (note 20(b)), resulting in an increase in the Company's investment in relevant subsidiary businesses. In prior year, only an immaterial number of tracker shares were settled as the annual buy-out process was postponed due to Covid-19.

The Company also acquired certain unvested tracker shares where employees left the business prior to reaching the pre-agreed holding period.

Notes to the financial statements continued
for the year ended 30 November 2021

12 Investments continued

IFRS 2 requires that any options or awards granted to employees of subsidiary undertakings, without reimbursement by the subsidiary, increase the carrying value of the investment held in the subsidiaries. In 2021, the Company recognised a net increase in investments in its subsidiaries of £1.1 million (2020: £1.0 million) relating to such share options and awards.

Investment impairment

During the year, the Company performed an investment impairment review and no significant indicators of impairment were noted when reviewing recoverable amounts of SThree plc's investment portfolio. SThree businesses delivered a very strong financial performance, ahead of market and management expectations. With candidate and client confidence improving across most of the Group's global footprint, significant growth rates were reported in contractor order books among most of the Group's businesses to levels not seen since the peak of 2019.

As part of this review, the recoverable amount was established for every investment, as the higher of 'fair value less costs of disposal' ('FVLCD') and its 'value in use' ('VIU'). The VIU valuation was determined from the pre-tax cash flows forecast to be generated by the investee in the next five years and into perpetuity. Cash flows were discounted to present value using a pre-tax weighted average cost of capital ('WACC') of 11.8% (2020: 10.3%) and a long-term growth rate of 2.0% (2020: 2.0%).

The impairment assessment involves judgements and estimates prevailing at the time of the test. The actual outcomes may differ from the assumptions made. The Group considered reasonably possible changes to the assumptions:

(i) apply a 5% reduction in forecast net fees. This would result in an impairment of £6.3 million.

(ii) apply a 5% reduction to forecast EBITDA. This would result in £nil impairment.

(iii) increase a pre-tax WACC by 10% (from 11.8% to 13.1%). This would result in £nil impairment.

For comparison, in the prior year the Company recognised an impairment loss of £12.9 million which was mainly attributable to the UK trading business affected by heightened uncertainty and reduced economic activity due to the pandemic. Its fair value did not fully support the recoverability of the Company's investment.

A full list of the Company's subsidiaries that existed as at 30 November 2021 is provided in note 26.

13 Trade and other receivables

Accounting policy

Trade receivables including Contract assets are amounts due from customers for services performed in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The normal credit terms are between 14–30 days upon service provision, with 30 days becoming a more prevalent payment term.

The Group applies the IFRS 9 simplified approach for trade and other receivables and follows an expected credit losses ('ECLs') approach for measuring the allowance of its trade receivables. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. For invoices reviewed on a portfolio basis (i.e. not individually reviewed), the loss allowance for ECLs is provided at differing percentages determined based on historical collection experience, adjusted for forward-looking market factors specific to the debtors and the economic environment. Certain exposures within trade receivables are individually assessed for which the Directors make judgement on a client-by-client basis as to their ability to collect outstanding receivables. When reviewing significant outstanding invoices, the Directors consider qualitative factors that are available without undue cost or effort, such as a decrease in the debtor's creditworthiness, changes in external or internal credit ratings, macro-economic conditions, actual or expected deterioration in business performance of any particular debtor, and other known issues.

Derecognition of trade and other receivables

Trade and other receivables are derecognised when the rights to receive cash flows from these assets have expired or have been transferred. On derecognition, any difference between the carrying amount of an asset and the consideration received is recognised in the profit or loss.

For critical accounting estimates regarding contract assets, refer to note 2 *Segmental analysis*.

	Group		Company	
	30 November 2021 £'000	30 November 2020 £'000	**30 November 2021 £'000**	30 November 2020 £'000
Trade receivables	**206,293**	173,083	**–**	–
Less allowance for ECLs and revenue reversals	**(4,308)**	(4,013)	**–**	–
Trade receivables – net	**201,985**	169,070	**–**	–
Contract assets	**82,083**	57,762	**–**	–
Prepayments	**6,768**	6,984	**45**	283
Other receivables	**7,188**	3,226	**17**	169
Other taxes and social security – debtor	**–**	–	**518**	8,347
	298,024	237,042	**580**	8,799

Trade receivables are non-interest bearing current financial assets.

Contract assets represent the Contract revenue earned but not invoiced at the year end. It is based on the value of the unbilled timesheets from the contractors for the services provided up to the year end. The corresponding costs are shown within trade payables (where the contractor has submitted an invoice) and within accruals (in respect of unsubmitted and unapproved timesheets) (note 15).

Other receivables include £0.2 million (2020: £0.6 million) for loans given to certain employees in previous years towards their subscription for tracker shares (note 24(d)). Tracker share loans are unsecured and charged interest at a rate of 2% (2020: 3%). No such new tracker share loans were given to employees during the current year.

The Group establishes an allowance for doubtful accounts that represents an estimate of ECLs in respect of trade and other receivables. Movements in the impairment provision for trade receivables are shown in the table below.

Provision for impairment of trade receivables	**30 November 2021 £'000**	30 November 2020 £'000
At the beginning of the year	**4,013**	3,965
Charge for the year	**3,456**	2,944
Bad debts written off	**(1,903)**	(1,254)
Reversed as amounts recovered	**(1,111)**	(1,752)
Exchange differences	**(147)**	110
At the end of the year	**4,308**	4,013

Other classes within trade and other receivables do not contain impaired assets. The Directors consider that the carrying value of trade and other receivables is approximately equal to their fair values and they are deemed to be current assets.

For further information refer to note 24.

Notes to the financial statements continued

for the year ended 30 November 2021

14 Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash-in-hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are classified as short-term borrowings unless they form part of a cash pooling arrangement where there is an intention to settle on a net basis, in which case they are reported net of related cash balances.

	Group		Company	
	30 November 2021 £'000	30 November 2020 £'000	**30 November 2021 £'000**	30 November 2020 £'000
Cash at bank attributable to continued operations	**57,526**	49,720	**4,646**	893
Bank overdraft attributable to continued operations	**(24)**	(468)	**–**	–
Net cash and cash equivalents for continued operations	**57,502**	49,252	**4,646**	893
Cash at bank attributable to discontinued operations	**–**	643	**–**	–
Net cash and cash equivalents per the statement of cash flows	**57,502**	49,895	**4,646**	893

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets approximate their fair values. Substantially all of these assets are categorised within level 1 of the fair value hierarchy.

The Group has four cash pooling arrangements in place at HSBC US (USD), HSBC UK (GBP), NatWest (GBP) and Citibank (EUR).

15 Trade and other payables

Accounting policy

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

	Group		Company	
	30 November 2021 £'000	30 November 2020 £'000	**30 November 2021 £'000**	30 November 2020 £'000
Trade payables	**46,710**	44,528	**–**	–
Accruals	**121,239**	86,076	**1,859**	442
Other taxes and social security	**21,787**	13,855	**307**	269
Other payables	**6,344**	13,040	**968**	3,982
Amounts due to subsidiaries (note 23)	**–**	–	**102,560**	97,296
	196,080	157,499	**105,694**	101,989

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Trade and other payables are predominantly interest free, are unsecured and are usually paid within 15 days of recognition.

Accruals include amounts payable to contractors in respect of unsubmitted and unapproved timesheets (note 13).

Amounts due to subsidiaries are subject to annual interest at a rate of 15 basis points below the Group's external borrowing costs under its Revolving Credit Facility.

16 Leases

Accounting policy

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

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

a) fixed payments less any lease incentives receivable;

b) variable lease payments that are based on an index or a rate;

c) amounts expected to be payable by the lessee under residual value guarantees, if any;

d) the exercise price of a purchase option if the Group is reasonably certain it will exercise that option; and

e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

Lease payments are presented as follows in the Group statement of cash flows:

- payments for the interest element of recognised lease liabilities are included in 'interest paid' within cash flows from financing activities; and
- payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities.

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

a) the amount of the initial measurement of lease liability;

b) any lease payments made at or before the commencement date less any lease incentive received;

c) any initial direct costs; and

d) any restoration costs.

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

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

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

The leases which are recognised in the Consolidated Statement of Financial Position are principally in respect of buildings and cars.

Notes to the financial statements continued

for the year ended 30 November 2021

16 Leases continued

The Group's right-of-use assets and lease liabilities are presented below:

	30 November 2021 £'000	30 November 2020 £'000
Buildings	**30,667**	30,819
Cars	**1,631**	1,936
IT equipment	**49**	123
Total right-of-use assets (refer to note 10)	**32,347**	32,878
Current lease liabilities	**13,081**	12,078
Non-current lease liabilities	**21,987**	23,426
Total lease liabilities (refer to note 24)	**35,068**	35,504

The Consolidated Income Statement includes the following amounts relating to depreciation of right-of-use assets:

	30 November 2021 £'000	30 November 2020 £'000
Buildings	**10,882**	11,658
Cars	**1,052**	1,263
IT equipment	**74**	128
Total depreciation charge of right-of-use assets	**12,008**	13,049

In the current year, interest expense on leases amounted to £0.6 million (2020: £0.7 million) and was recognised within finance costs in the Consolidated Income Statement (refer to note 5).

The total cash outflow for leases in 2021 was £13.1 million (2020: £13.6 million) and comprised the principal and interest element of recognised lease liabilities.

17 Other financial liabilities

Accounting policy

Financial liabilities

All non-derivative financial liabilities are classified as 'financial liabilities measured at amortised cost'. All financial liabilities are recognised initially at fair value and net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The Group's financial liabilities include trade and other payables and other financial liabilities, including borrowings, bank overdraft and lease liabilities.

The Group maintains a committed Revolving Credit Facility ('RCF') of £50.0 million along with an uncommitted £20.0 million accordion facility, both jointly provided by HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £70.0 million. The Group has an uncommitted £5.0 million overdraft facility with HSBC. The Group also had access to the Bank of England's Covid-19 Corporate Financing Facility, a £50.0 million committed Commercial Paper facility. While this provided access to an additional short-term form of financing the Group up to March 2021, it was never utilised.

Any funds borrowed under the RCF bear a minimum annual interest rate of 1.3% above the three-month Sterling LIBOR. At the year end, the Group and the Company did not draw down under these facilities (2020: £nil). Accordingly, the net finance costs decreased to £0.8 million (2020: £1.2 million) and were mainly related to lease interest. In the prior year, the average interest rate paid on drawdown was 1.3%.

The RCF is subject to certain covenants requiring the Group to maintain financial ratios over interest cover, leverage and guarantor cover (note 24(c)). The Group has complied with these covenants throughout the year. The RCF facility is available under these terms and conditions until May 2023.

The Group's exposure to interest rates, liquidity, foreign currency and capital management risks is disclosed in note 24.

Reconciliation of financial liabilities to cash flows arising from financing activities:

	£'000
Balance at 1 December 2019	–
Recognition of leases on adoption of IFRS 16	43,019
Cash flows:	
Proceeds from borrowings	50,000
Repayments of borrowings	(50,000)
Interest paid on borrowings, excluding lease liabilities	(481)
Payments of principal and interest element of lease liabilities	(13,579)
Total cash flows	**(14,060)**
Lease increases	5,848
Other movements[1]	697
Balance at 30 November 2020	**35,504**
Cash flows:	
Interest paid on borrowings, excluding lease liabilities	(262)
Payments of principal and interest element of lease liabilities	(13,067)
Total cash flows	**(13,329)**
Lease increases	14,026
Lease terminations	(1,740)
Other movements[1]	607
Balance at 30 November 2021	**35,068**

1. Other movements in 2021 and 2020 primarily comprise unwind of the discount on lease liabilities.

18 Provisions

Accounting policy

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the present value of the expenditures expected to be required to settle the obligation. No provision is recognised for future operating losses.

(i) Movements in each class of provision during the financial year:

Group	Dilapidations £'000	Restructuring & termination payments £'000	Tracker share liability £'000	Legal £'000	Total £'000
At 1 December 2019	2,988	332	3,463	4,031	10,814
(Released)/charged to the income statement	(140)	5,169	(65)	(376)	4,588
Utilised during the year	(160)	(380)	(332)	(2,436)	(3,308)
New tracker share consideration	–	–	291	–	291
Forex revaluation	17	–	–	102	119
At 30 November 2020	2,705	5,121	3,357	1,321	12,504
Additions (new leases)	318	–	–	–	318
(Released)/charged to the income statement	(153)	961	(241)	426	993
Utilised during the year	(131)	(4,574)	(557)	(193)	(5,455)
Forex revaluation	(84)	–	–	(14)	(98)
At 30 November 2021	**2,655**	**1,508**	**2,559**	**1,540**	**8,262**

Notes to the financial statements continued
for the year ended 30 November 2021

18 Provisions continued

Analysis of total provisions	2021 £'000	2020 £'000
Current	**6,258**	9,915
Non-current	**2,004**	2,589
	8,262	12,504

Provisions are not discounted as the Directors believe that the effect of the time value of money is immaterial. The provisions are measured at cost, which approximates to the present value of the expenditure required to settle the obligation.

(ii) Information about individual provisions and significant estimates

Dilapidations

The Group is obliged to pay for dilapidations at the end of its tenancy of various properties. Provision was made based on independent professional estimates of the likely costs on vacating properties based on the current conditions of the properties. The provision is captured within the carrying value of the right-of-use assets and depreciated to profit or loss over the lease term.

Restructuring and termination payments

At 30 November 2021, the provision comprised primarily future staff termination payments related to a number of employees who will exit the business in early 2022. Termination payments are provided for staff exiting SThree in the normal course of business.

The liability in relation to dilapidation, restructuring and termination payments provisions is expected to crystallise as follows:

	2021 £'000	2020 £'000
Within one year	**2,159**	5,237
One to five years	**1,383**	1,977
After five years	**621**	612
	4,163	7,826

Tracker share liability

The provision relates to an obligation to repay amounts received or receivable in relation to subscriptions for tracker shares awarded to senior individuals under the terms of the tracker share arrangements (note 12). The timing of economic outflow is subject to the factors governing each tracker share and is considered to be within one year.

During the year, £0.6 million (2020: £0.3 million) of the provision was utilised, principally in relation to settled tracker shares. There were no new subscriptions in the current year. In the prior year, the Group recognised £0.3 million in subscriptions received against the allotment of new tracker share awards.

Legal

The provision relates to various ongoing legal and other disputes including employee litigation, compliance with employment laws and regulations, and open enquiries with tax and pension authorities. The provision relates to separate claims in a number of different geographic regions and represents our most probable estimate of the likely outcome of each of the disputes. The timing of economic outflow is subject to the factors governing each case.

19 Deferred tax

Group

	Accelerated tax depreciation £'000	Share-based payments £'000	Tax losses £'000	Provisions £'000	Total £'000
At 1 December 2019	227	1,919	544	1,819	4,509
(Charge)/credit to income statement for the year	(119)	(758)	633	(2,223)	(2,467)
Prior year (charge)/credit to income statement for the year	(30)	–	(286)	243	(73)
Adjustment due to tax rate changes	(4)	(35)	–	(76)	(115)
(Charge)/credit directly to equity	–	(356)	–	6	(350)
Forex revaluation	2	–	7	(31)	(22)
At 30 November 2020	76	770	898	(262)	1,482
Credit/(charge) to income statement for the year	115	46	(688)	654	127
Prior year credit/(charge) to income statement for the year	5	(60)	(210)	2,248	1,983
Adjustment due to tax rate changes	29	119	–	1	149
Credit directly to equity	–	643	–	–	643
Forex revaluation	–	1	–	106	107
At 30 November 2021	**225**	**1,519**	**–**	**2,747**	**4,491**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so and when the deferred income taxes relate to the same fiscal authority. The following is an analysis of the deferred tax balances for financial reporting purposes:

	30 November 2021 £'000	30 November 2020 £'000
Deferred tax assets:		
Continuing operations	**4,551**	5,378
Recovered within one year	**1,939**	2,798
Recovered after one year	**2,612**	2,580
Deferred tax liabilities	**(60)**	(3,896)
Settled within one year	**(12)**	(690)
Settled after one year	**(48)**	(3,206)
Net deferred tax assets	**4,491**	1,482

Deferred tax assets that are expected to be recovered within one year are £1.9 million (2020: £2.8 million) and deferred tax liabilities that are expected to be settled within one year are £0.01 million (2020: £0.7 million).

Deferred tax assets are recognised for carry-forward tax losses to the extent that the realisation of the related tax benefit through future taxable profits from the respective jurisdictions is probable. In assessing whether to recognise deferred tax assets, the Group considered both current and the forecast trading performance in these territories and the expectations regarding the levels of profitability that can be achieved.

At the reporting date, the Group has unused tax losses of £34.1 million (2020: £34.2 million) available for offset against future profits. A deferred tax asset of £nil (2020: £0.9 million) was recognised in respect of losses of £nil (2020: £4.7 million). No deferred tax asset was recognised in respect of the remaining £34.1 million (2020: £29.5 million) losses. Of the £34.1 million loss not recognised, £10.4 million relates to discontinued operations (2020: £9.4 million). The increase in losses arises from expiration, recognition, exchange differences and utilisation.

Included in unrecognised tax losses are losses of £0.8 million (2020: £0.7 million) subject to expiry. Of this amount, £nil expires over the course of the next five years and the balance of £0.8 million up to 2039. A regional summary of our loss profile in 2021 is shown on page 198.

Notes to the financial statements continued

for the year ended 30 November 2021

19 Deferred tax continued

	Operating losses not recognised £'000	Total £'000
Europe	14,074	14,074
Asia Pacific	8,901	8,901
Rest of World	11,161	11,161
	34,136	34,136

Recognised operating losses were £nil (2020: £4.7 million) during the year.

The Group has the following uncertain tax positions:

On transfer pricing risks, the provision increased during the year by £1.0 million to £2.2 million (2020: £1.2 million).

On the European Commission's decision of April 2019 that certain parts of the UK's controlled foreign company legislation gave rise to state aid, the provision increased by £0.1 million to £1.4 million (2020: £1.3 million). In the prior year, it was determined that it was no longer probable that the uncertain tax treatment surrounding this issue will be accepted and as such a provision of £1.3 million was recognised. As required by the European Court of Justice, HMRC issued an assessment for the relevant amount at stake, pending resolution of the case. The assessment requested £1.4 million, covering the £1.3 million at stake plus interest. As such the provision increased only by £0.1 million in interest in 2021. There have been no other events impacting our assessment of the provision and as such it remains unchanged in substance. The Group has settled the £1.4 million requested by HMRC and this amount is recorded as an asset held within current tax. The issue was subsequently heard at the General Court of the European Court of Justice on 18 October 2021 with a decision expected during 2022.

Company

The Company's deferred tax asset relates in full to the equity-settled share-based payments.

	£'000
At 1 December 2019	482
Credit to income statement for the year	570
Charge directly to equity	(23)
At 30 November 2020	1,029
Charge to income statement for the year	(855)
Credit directly to equity	172
At 30 November 2021	**346**

20 Equity

Accounting policy

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Group's holdings in its own equity instruments are classified as 'treasury shares'. The consideration paid, including any directly attributable incremental costs, is deducted from the equity attributable to the owners of the Company until the shares are cancelled or reissued. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

Employee Benefit Trust ('EBT')

The EBT was originally funded by gifts from certain of the Company's shareholders and Directors. The assets and liabilities of the EBT are recognised in the Group's Consolidated Financial Statements.

The shares in the EBT are held to satisfy awards and grants under certain employee share schemes. For accounting purposes, shares held in the EBT are treated in the same manner as treasury shares and are, therefore, included in the Consolidated Financial Statements as treasury shares. Consideration, if any, received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares held by the EBT.

In the separate financial statements of the Company, the EBT is treated as an agent acting on behalf of the Company. Funding provided by the Company to the EBT is accounted for as the issue of treasury shares.

For accounting policy regarding tracker share awards in subsidiary companies, refer to note 12 *Investments*.

Group and Company

(a) Share capital

Issued and fully paid	Number of ordinary shares	Share capital £'000	Capital redemption reserve £'000	Treasury reserve £'000
At 1 December 2019	132,420,332	1,326	172	(5,005)
Issue of new shares	441,306	4	–	–
Purchase of shares by EBT	–	–	–	(2,031)
Utilisation of shares held by EBT	–	–	–	5,437
Utilisation of treasury shares	34,984	–	–	103
At 30 November 2020	132,896,622	1,330	172	(1,496)
Issue of new shares	734,155	7	–	–
Purchase of shares by EBT, incl. gift of shares	–	–	–	(5,332)
Utilisation of shares held by EBT	–	–	–	3,461
At 30 November 2021	**133,630,777**	**1,337**	**172**	**(3,367)**

Share capital

The nominal value per ordinary share is £0.01 (2020: £0.01).

The Company does not have a limited amount of authorised share capital.

During the year 734,155 (2020: 441,306) new ordinary shares were issued, resulting in a share premium of £2.4 million (2020: £0.9 million). Of the shares issued, 200,372 (2020: none) were issued to tracker shareholders on settlement of vested tracker shares and 452,614 (2020: none) were issued on settlement of Long-Term Incentive Plans ('LTIP'), with the remaining issued pursuant to the exercise of share awards under the Save As You Earn ('SAYE') scheme.

Treasury reserve

Treasury shares represent SThree plc shares repurchased and available for specific and limited purposes.

During the year no shares were utilised from the treasury reserve. In the prior year 33,949 shares were utilised from the treasury reserve on settlement of vested tracker shares.

At the year end, 35,767 (2020: 35,767) shares were held in treasury.

EBT

The Group holds shares in the EBT. The EBT is funded entirely by the Company and acquires shares in SThree plc to satisfy future requirements of the employee share-based payment schemes. For accounting purposes, shares held in the EBT are treated in the same manner as shares held in the treasury reserve by the Company and are, therefore, included in the financial statements as part of the treasury reserve for the Group.

Notes to the financial statements continued

for the year ended 30 November 2021

20 Equity continued

During the year, the EBT purchased 1,220,854 (2020: 645,122) of SThree plc shares. The average price paid per share was 422 pence (2020: 315 pence). In addition, SThree plc gifted 54,054 shares to the EBT. The total acquisition cost of the purchased and gifted shares was £5.3 million (2020: £2.0 million), for which the treasury reserve was reduced. During the year, the EBT utilised 985,932 (2020: 1,723,288) shares on settlement of vested tracker shares and LTIP awards. At the year end, the EBT held 923,362 (2020: 634,386) shares.

(b) Share-based payments

Tracker share awards in subsidiary companies

As described in note 12, until 2019 the Group made tracker share awards in respect of certain subsidiary businesses to senior individuals who participate in the development of those businesses.

During the year, the Group settled certain vested tracker shares for a total consideration of £4.6 million (2020: £0.01 million) by issue of new shares or using treasury shares purchased from the market. This resulted in an increase in share capital and share premium for new issue, and reduction in capital reserves for utilised treasury shares, with a corresponding reduction in the Group's retained earnings and provision for tracker share liability.

The Group no longer issues new tracker share awards. In the prior year, the Group received £0.3 million in subscription value.

LTIP, SAYE and other share schemes

The Group has a number of share schemes to incentivise its Directors and employees. All schemes are treated as equity-settled (except Share Incentive Plans ('SIP')) as the Group has no legal or constructive obligation to repurchase or settle the options in cash. The schemes are detailed below.

	30 November 2021		30 November 2020					
Scheme	**Charge (£'000)**	**Number of share options**	Charge (£'000)	Number of share options	Vesting period	Expiry date	Valuation method	Performance metrics
LTIP	**1,284**	**3,918,656**	729	4,458,174	3 years	10 years	Monte Carlo and Binomial model	Incremental EPS growth/TSR ranking against comparator group
SAYE	**236**	**666,223**	187	585,449	3 years	6 months after 3-year vesting period	Binomial	None
Sub-total	**1,520**	**4,584,879**	916	5,043,623				
SIP	**38**	**n/a**	34	n/a	1 year	n/a	n/a	None
Total	**1,558**	**4,584,879**	950	5,043,623				

LTIP

The conditions of the LTIP are provided in the Directors' remuneration report.

	Number of options
At 1 December 2019	5,629,434
Granted	1,514,564
Exercised	(1,499,122)
Forfeited	(1,186,702)
At 30 November 2020	**4,458,174**
Granted	1,414,288
Exercised	(592,964)
Forfeited	(1,360,842)
At 30 November 2021	**3,918,656**

Out of the 3,918,656 options outstanding (2020: 4,458,174), 68,387 options were exercisable (2020: 194,547). Options exercised during the year under the LTIP were satisfied by new issue or shares held in the EBT. The related weighted average share price at the time of exercise was £4.43 (2020: £2.79). The related transaction costs were negligible. The share options had a weighted average exercise price of £nil (2020: £nil).

The 2021 share options granted in 2021, and separately in 2020, under the Group LTIP scheme were valued as follows:

	2021	2020
Weighted average fair value (£)	**3.57**	3.35
Key assumptions used:		
Share price at grant date (£)	**3.75**	3.41
Expected volatility[1]	**37.1%**	29.7%
Annual risk-free interest rate	**0.13%**	0.44%
Expected life (years)	**3**	3

1 Expected volatility is determined by using the historic daily volatility of SThree plc's shares as measured over a period commensurate with the expected performance period of the share options, i.e. three years.

Other schemes

The SAYE and SIP arrangements are not deemed material for further disclosure.

21 Contingencies

Legal

The Group is involved in various disputes and claims which arise from time to time in the course of its business. These are reviewed on a regular basis and, where possible, an estimate is made of the potential financial impact on the Group. The Group has contingent liabilities in respect of these claims. In appropriate cases a provision is recognised based on advice, best estimates and management judgement.

The Directors currently believe the likelihood of any material liabilities to be low, and that such liabilities, if any, will not have a material adverse effect on its financial position.

22 Commitments

Capital commitments

At the year end, the Group had capital commitments for property, plant and equipment amounting to £7.6 million (2020: £7.1 million). Capital commitments for 2021 and 2020 include total future minimum lease payments under leases not yet commenced to which the Group was committed at 30 November 2021 of £5.3 million (2020: under leases committed but not commenced at 30 November 2020 of £6.3 million).

Other commitments

At the year end, the Group also committed to future lease service costs of £6.0 million (2020: £8.0 million).

Guarantees

At the year end, the Group/SThree plc had bank guarantees in issue for commitments which amounted to £4.3 million (2020: £3.6 million).

Company

In 2021, selected UK subsidiaries (see note 26) were exempt from the requirements of the UK Companies Act 2006 ('the Act') relating to the audit of individual accounts by virtue of s479A of the Act. The Company provides a guarantee concerning the outstanding liabilities of these subsidiaries under Section 479C of the Act.

Notes to the financial statements continued
for the year ended 30 November 2021

23 Related party transactions

Group

Balances and transactions with subsidiaries were eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its Directors and members of the Senior Leadership Team, who are deemed to be key management personnel, are disclosed below.

Remuneration of key management personnel ('KMP')

The Group's KMP comprises members of the Senior Leadership Team, other members of the Board of Directors and key managers who are deemed to influence the day-to-day activities. Details of Directors' remuneration, as determined by the SThree plc Remuneration Committee in accordance with its stated policy, are given in the Directors' remuneration report.

The total number of KMP for the year was 15 (2020: 18). Total remuneration for members of KMP is detailed below:

	2021 £'000	2020 £'000
Short-term employee benefits	**3,556**	5,267
Share-based payments	**427**	62
Post-employment benefits	**266**	166
Termination benefits	**460**	244
	4,709	5,739

Company

The Company has related party relationships with its subsidiaries, with members of its Board and key managers. The Directors' remuneration which they receive from the Company is disclosed in the Directors' remuneration report. The Company did not have any transactions with the Directors during the financial year other than those disclosed in the Directors' remuneration report and below. Details of transactions between the Company and other related parties are disclosed below.

Transactions with the related parties during the year	**2021 £'000**	2020 £'000
Investments in subsidiaries (note 12)	**(5,904)**	(934)
Impairment of investments in subsidiaries (note 12)	**–**	(12,931)
Loans and advances received from subsidiaries	**5,264**	23,770
Loans and advances repaid by subsidiaries	**–**	(8)
Loans repaid by Directors	**10**	46
Loans repaid by other KMP	**169**	–
Interest income received from subsidiaries	**2**	–
Interest paid by subsidiaries	**(1,571)**	(1,105)

No purchase or sales transactions were entered into between the Company and its subsidiaries.

Year-end balances arising from transactions with related parties	**30 November 2021 £'000**	30 November 2020 £'000
Investments in subsidiaries	**206,047**	200,143
Amounts due to subsidiaries	**(102,560)**	(97,296)
Amounts receivable from Directors	**–**	10
Amounts receivable from other KMP	**–**	169

24 Financial instruments and financial risk management

Financial instruments

The Group holds and uses financial instruments to finance its operations and to manage its interest rate and liquidity risks. The Group primarily finances its operations using share capital, revenue and borrowings.

The accounting classification of each category of financial instruments and their carrying amounts are set out below.

At 30 November 2021	Note	Measured at amortised cost £'000	Elected to be measured at FV through OCI £'000	Total carrying amount £'000
Financial assets				
Investments	12	**–**	**1**	**1**
Trade receivables and contract assets	13	**284,068**	**–**	**284,068**
Other receivables[1]	13	**2,961**	**–**	**2,961**
Cash and cash equivalents	14	**57,526**	**–**	**57,526**
Financial liabilities				
Bank overdraft	14	**(24)**	**–**	**(24)**
Trade payables and accruals	15	**(167,949)**	**–**	**(167,949)**
Other payables[2]	15	**(5,342)**	**–**	**(5,342)**
Lease liabilities	16,17	**(35,068)**	**–**	**(35,068)**

At 30 November 2020	Note	Measured at amortised cost £'000	Elected to be measured at FV through OCI £'000	Total carrying amount £'000
Financial assets				
Investments	12	–	1	1
Trade receivables and contract assets	13	226,832	–	226,832
Other receivables[1]	13	3,219	–	3,219
Cash and cash equivalents	14	50,363	–	50,363
Financial liabilities				
Bank overdraft	14	(468)	–	(468)
Trade payables and accruals	15	(130,604)	–	(130,604)
Other payables[2]	15	(9,943)	–	(9,943)
Lease liabilities	16,17	(35,504)	–	(35,504)

1. Other receivables comprise mainly rental deposits and staff loans and exclude non-financial assets.
2. Other payables comprise mainly cash in transit and other trade creditors and exclude non-financial liabilities.

Financial risk factors

The Group reports in Sterling and pays dividends out of Sterling profits. The role of the Group's corporate treasury function is to manage and monitor external and internal funding requirements and financial risks in support of corporate objectives. Treasury activities are governed by policies and procedures approved by the Board. A treasury management committee, chaired by the Chief Financial Officer, meets on a monthly basis to review treasury activities and its members receive management information relating to treasury activities. The Group's internal auditors periodically review the treasury internal control environment and compliance with policies and procedures.

Each year, the Board reviews the Group's currency hedging strategy to ensure it is appropriate. The Group does not hold or issue derivative financial instruments for speculative purposes and its treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation. The Group corporate treasury function enters into a limited number of derivative transactions, principally currency swaps and forward currency contracts, with the purpose of managing the currency risks arising from operations and financing of subsidiaries.

Notes to the financial statements continued

for the year ended 30 November 2021

24 Financial instruments and financial risk management continued

At the year end, the Group had net foreign exchange swaps of:

Currency	2021 LCCY'000	2021 £'000	2020 LCCY'000	2020 £'000
United Arab Emirates Dirham (AED)	**7,314**	**1,497**	5,785	1,182
Australian Dollar (AUD)	**–**	**–**	699	385
Canadian Dollar (CAD)	**(199)**	**(117)**	(150)	(87)
Swiss Franc (CHF)	**(4,650)**	**(3,806)**	(2,103)	(1,736)
Euro (EUR)	**2,974**	**2,535**	18,480	16,541
Hong Kong Dollar (HKD)	**7,664**	**739**	9,385	909
Japanese Yen (JPY)	**(221,633)**	**(1,472)**	15,253	110
Singapore Dollar (SGD)	**(5,412)**	**(2,982)**	(2,600)	(1,454)
US Dollar (USD)	**(17,936)**	**(13,483)**	15,997	12,006
Total		**(17,089)**		27,856

The contracts were mainly taken out close to the year-end date for a period of 31 to 37 days (2020: 31 to 37 days), and they had net positive fair value of £0.1 million (2020: £0.1 million) at the year end.

The Group is exposed to a number of different financial risks including capital management, foreign currency rates, liquidity, credit and interest rates risks, which were not materially changed from the previous year. The Group's objective and strategy in responding to these risks are set out below and did not change materially from the previous year.

(a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group and its subsidiaries' ability to continue as going concerns to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, delay or reduce the settlement of vested tracker shares, sell assets to reduce debt, return capital to shareholders or issue new shares, subject to applicable rules. The Group's policy is to settle the vested tracker shares in the Company's shares. During the year, the vested tracker shares were settled by issue of new shares or using treasury shares purchased from the market (note 20(a)).

The capital structure of the Group consists of equity attributable to owners of the parent of £158.2 million (2020: £128.5 million), comprising share capital, share premium, other reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity and net cash of £57.5 million (2020: £49.9 million), comprising cash and cash equivalents less bank overdraft (note 14).

Except for compliance with certain bank covenants (note 24(c)), the Group is not subject to any externally imposed capital requirements.

(b) Foreign currency exchange risk management

The Group uses Sterling as its presentation currency. It undertakes transactions in a number of foreign currencies. Consequently, exposures to exchange rate fluctuations do arise. Such exchange rate movements affect the Group`s transactional revenues, cost of sales, the translation of earnings and the net assets/liabilities of its overseas operations.

The Group is also exposed to foreign currency risks from the value of net investments outside the United Kingdom. The intercompany loans which are treated as net investments in foreign operations are not planned to be settled in the foreseeable future as they are deemed to be a part of the investment. Therefore, exchange differences arising from the translation of the net investment loans are taken into equity.

The Group's businesses generally raise invoices and incur expenses in their local currencies. Local currency cash generated is remitted via intercompany transfers to the United Kingdom. The Group generally converts foreign currency balances into Sterling to manage its cash flows.

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and the US Dollar. If the Euro or the US Dollar strengthened against Sterling by a movement of 10%, the anticipated impact on the Group`s results in terms of translational exposure would be an increase in profit before income tax of £7.0 million and £3.1 million (2020: £4.4 million and £2.4 million) respectively, with a similar decrease if the Euro or the US Dollar weakened against Sterling by 10%.

(c) Liquidity risk management

The Group's treasury function centrally co-ordinates relationships with banks, manages borrowing requirements, foreign exchange needs and cash management. The Group has access to a committed RCF of £50.0 million along with an uncommitted £20.0 million accordion facility in place with HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £70.0 million. The Group also has an uncommitted £5.0 million overdraft facility with HSBC. At the year end, £nil (2020: £nil) was drawn down on these facilities.

The RCF is subject to certain covenants requiring the Group to maintain financial ratios over interest cover, leverage and guarantor cover. The Group complied with these covenants throughout the year.

(i) Interest cover: interest cover shall not be less than the ratio of 4:1 at any time;

(ii) Leverage: the ratio of total net debt on the last day of a period to the adjusted EBITDA in respect of that period shall not exceed the ratio of 3:1; and

(iii) Guarantor cover: the aggregate adjusted EBITDA and gross assets of all the guarantor subsidiaries must at all times represent at least 85% of the adjusted EBITDA and gross assets of the Group as a whole.

The table below shows the maturity profile of the financial liabilities which are held at amortised cost based on the contractual amounts payable on the date of repayment:

	Lease liabilities	Trade and other payables, including bank overdrafts	
	Group £'000	Group £'000	Company £'000
At 30 November 2021			
Within one year	**13,081**	**173,315**	**105,387**
More than one year	**21,987**	**–**	**–**
	35,068	**173,315**	**105,387**
At 30 November 2020			
Within one year	12,078	141,015	101,720
More than one year	23,426	–	–
	35,504	141,015	101,720

(d) Credit risk management

(i) Risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In the normal course of business, the Group participates in cash pooling arrangements with its counterparty bank. The maximum exposure to a single banking group for deposits and funds held on account at the year end was £43.5 million (2020: £26.7 million). The Group will not accept any counterparty bank for its deposits unless it has been awarded a minimum recognised credit rating of A3/Prime-2 (Moody's). Some local banks in emerging markets may have lower ratings but the funds at risk will be small. The Group will permit exposures with individual counterparty banks and exposure types up to pre-defined limits as part of the Group treasury policy. Exposure to all transaction limits is monitored daily.

The Group mitigates its credit risk from trade receivables by using a credit rating agency to assess new clients and payment history to consider further credit extensions to existing clients. In addition, the spread of the client base (over 8,000 clients) helps to mitigate the risk of individual client failure having a material impact on the Group.

The Group does not typically renegotiate the terms of trade receivables; hence the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at the year end.

Notes to the financial statements continued

for the year ended 30 November 2021

24 Financial instruments and financial risk management continued

The Group's credit risk from loans given to certain tracker shareholders (note 13) is mitigated by the fact that the loans are spread over a number of individuals (2021: 8 individuals; 2020: 13 individuals) and none of the individuals hold loans of material amounts. Exposure to loans from individuals is regularly monitored and the individuals are asked to settle all or a portion of their outstanding balances when their first tracker share is settled, when they receive dividends or if they leave the business.

Climate-related matters

The management team is currently undertaking a thorough assessment of the existing processes and capabilities necessary to monitor and mitigate any deterioration in clients' credit risk due to climate change. At the reporting date, the work was still ongoing with the expectation that significant improvements would be made in the next financial year. The objective is to include the scoring of climate-related risks as key assumptions for measuring the debt recoverable amount. This will also take into account where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase operational costs and negatively change the ability of SThree's clients to pay debt, which may result in financial loss to the Group.

At present, the management team does not identify any material financial impact in relation to climate-related matters. Potential implications on SThree are moderate due to low exposure to clients, mainly those within the Oil & Gas sector, which are viewed as most at risk of being negatively affected by climate change matters. At present, the management team continues to monitor this sector and provides guidelines to sales teams in line with climate change strategy.

(ii) Credit rating

The Group uses the following categories of internal credit risk rating for financial assets which are subject to ECLs under the three-stage general approach. These categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

Category of internal credit rating	Definition of category	Basis of recognition of ECLs
Performing	Clients have a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
Underperforming/ non-performing	Clients negotiating for new credit terms, default in repayment and other relevant indicators that showed customers' deteriorating financial condition	Lifetime ECLs
Non-performing	Interest and/or principal payment are 90 days past due	Lifetime ECLs
Write-off	Clients with no reasonable expectation of recovery	Asset is written off

(iii) Impairment of financial assets

The Company has applied the simplified approach by using the provision matrix to measure the lifetime ECLs for trade receivables and contract assets.

At 30 November 2021, cash and cash equivalents, other receivables and refundable deposits are rated with a 'performing' internal credit rating. The credit risks on bank balances, other receivables and deposits are low as these balances are placed with reputable financial institutions or companies with good collection track records with the Group.

To measure the ECLs, the Group considers historical payment patterns and credit characteristics of each client and adjusts for forward-looking information such as future prospects of the clients' core operating industries, the political and economic environment in which the Group's clients operate, and other information and factors on the clients' financial condition.

Notwithstanding the above, the Group evaluates the ECLs on clients in financial difficulties and who have defaulted on payments separately. These receivables are not secured by any collateral or credit enhancements.

Trade and other receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's credit risk exposure in relation to trade receivables and contract assets as at 30 November 2021 and 30 November 2020 is set out in the provision matrix as follows:

30 November 2021	**Current £'000**	**1–30 days past due £'000**	**31–60 days past due £'000**	**61–120 days past due £'000**	**More than 120 days past due £'000**	**Total £'000**
Expected loss rates	**0.193%**	**1.31%**	**0.89%**	**4.09%**	**47.42%**	
Gross trade receivables	**162,728**	**24,080**	**7,428**	**5,235**	**6,822**	**206,293**
Contract assets	**82,083**	**–**	**–**	**–**	**–**	**82,083**
Other assets	**2,961**	**–**	**–**	**–**	**–**	**2,961**
Loss allowances	**478**	**315**	**66**	**214**	**3,235**	**4,308**

30 November 2020	Current £'000	1–30 days past due £'000	31–60 days past due £'000	61–120 days past due £'000	More than 120 days past due £'000	Total £'000
Expected loss rates	0.005%	0.06%	0.50%	5.49%	55.00%	
Gross trade receivables	134,027	21,104	6,627	4,589	6,736	173,083
Contract assets	57,762	–	–	–	–	57,762
Other assets	3,219	–	–	–	–	3,219
Loss allowances	10	13	33	252	3,705	4,013

(e) Interest rate risk management

The Group is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally financial liabilities. The Group finances its operations through a mixture of retained profit and the RCF.

The Group does not hedge the exposure to variations in interest rates.

Taking into consideration all variable rate borrowings and bank balances at 30 November 2021, if the interest rate payable or receivable moved by 100-basis points in either direction, the effect to the Group would be minimal. 100-basis points was used on the assumption that applicable interest rates are not likely to move by more than this basis given the pattern of interest rate movements in recent years.

(f) Interest rate profile of financial assets/(liabilities)

At the reporting date, the Group and the Company did not have any significant financial liabilities exposed to interest rate risk. The only financial assets which accrued interest were cash and cash equivalents (note 14) with maturity of less than a year and were subject to floating interest income.

Interest Rate Benchmark Reform

The UK Financial Conduct Authority announced on 5 March 2021 that as part of the Interest Rate Benchmarking Reform, LIBOR will start being discontinued as a benchmark rate from 31 December 2021. There will be amendments to the contractual terms of IBOR-referenced interests rates, however the Group does not expect material accounting implications and its ability to manage interest rate risk will not be adversely affected.

Notes to the financial statements continued
for the year ended 30 November 2021

24 Financial instruments and financial risk management continued

(g) Currency profile of net cash and cash equivalents (including bank overdrafts)

Functional currency of Group operations:

	Net cash and cash equivalents				
At 30 November 2021	Sterling £'000	Euro £'000	US Dollar £'000	Other currencies £'000	Total £'000
Functional currency					
Sterling	**5,541**	**17,727**	**17,254**	**–**	**40,522**
Euro	**21**	**7,713**	**–**	**–**	**7,734**
US Dollar	**–**	**–**	**24**	**–**	**24**
Other	**6**	**6**	**643**	**8,567**	**9,222**
Total	**5,568**	**25,446**	**17,921**	**8,567**	**57,502**

At 30 November 2020	£'000	£'000	£'000	£'000	£'000
Functional currency					
Sterling	17,461	10,331	9,556	117	37,465
Euro	71	5,122	–	–	5,193
US Dollar	–	–	7	–	7
Other	6	6	634	6,584	7,230
Total	17,538	15,459	10,197	6,701	49,895

Other foreign currencies held by the Group include Canadian Dollar, Chinese Renminbi, Hong Kong Dollar, Indian Rupee, Japanese Yen, Malaysian Ringgit, Norwegian Krone, Qatari Riyal, Singapore Dollar, Saudi Arabia Riyal, Swiss Franc and United Arab Emirates Dirham.

The Company does not have a material exposure to other currencies.

(h) Fair value

For all financial instruments, the carrying amount is either the fair value, or approximates the fair value.

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest.

Where relevant, market values were used to determine fair values. Where market values were not available, fair value was calculated by discounting expected cash flows at prevailing interest rates and by applying year-end exchange rates.

The following table shows the fair value of financial assets within the Group, including their level in the fair value hierarchy. It does not include fair value information for financial assets or financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level in fair value hierarchy	**30 November 2021 £'000**	30 November 2020 £'000
Financial assets			
Equity rights	Level 1	**1**	1

The following table shows the changes during the year in the net fair value of investments within level 1 of the fair value hierarchy. The fair valuation of investments in equity rights started on the date of initial application of IFRS 9.

	Equity rights	
	2021 £'000	2020 £'000
At 1 December	**1**	13
Losses recognised in other comprehensive income	**–**	(12)
At 30 November	**1**	1

Summary of methods and assumptions

Receivables and payables	Due to the short-term nature of the current receivables and payables, their carrying amount is considered to be the same as their fair value.
Cash and cash equivalents, including short-term deposits	Approximates the carrying amount because of the short maturity of these instruments.
Investments	Market valuation at the end of the reporting year.
Borrowings	The carrying amount of the Group's borrowings, primarily the RCF, approximates their fair value. The fair value of the RCF is estimated using discounted cash flow analysis based on the Group's current incremental borrowing rates for similar types and maturities of borrowing and is consequently categorised in level 2 of the fair value hierarchy.

25 Subsequent events

There were no subsequent events following 30 November 2021.

26 List of subsidiaries

The full list of SThree plc's subsidiaries at 30 November 2021 and the Group percentage of ordinary share capital and voting rights is as follows:

Name of undertaking	%	Country of incorporation	Principal activities	Registered office	Registered number
SThree Australia Pty	100	Australia	Liquidated	C/O DLA Piper Australia, 80 Collins Street, Melbourne VIC 3000, PO Box 4301, Australia	126 409 103
SThree Austria GmbH	100	Austria	Recruitment	Wiedner Gurtel 13, Turm 24, 10 OG. 1100 Vienna, Austria	FN 447727 y
SThree Temp Experts Austria GmbH	100	Austria	Recruitment	Wiedner Gurtel 13, Turm 24, 10 OG. 1100 Vienna, Austria	FN 520633
Computer Futures Solutions NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussels, Belgium	BE 0461.883.118
Huxley Associates Belgium NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussels, Belgium	BE 0886.778.156
SThree Services NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussels, Belgium	BE 0889.572.251
SThree Belgium NV	100	Belgium	Recruitment	Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussels, Belgium	BE 0892.363.574
SThree Canada Limited	100	Canada	Recruitment	Sun Life Plaza West Tower, 144-4 Avenue SW, Suite 1600, Calgary AB T2P 3N4, Canada	810508-1
SThree SAS	100	France	Recruitment	170 Boulevard de la Villette, 75019, Paris, France	502 095 094 00053
SThree Holdings GmbH	100	Germany	Holding company	Querstrasse 7, 60322, Frankfurt am Main, Germany	HRB 96507
SThree GmbH	100	Germany	Recruitment	Querstrasse 7, 60322, Frankfurt am Main, Germany	HRB 78875

Notes to the financial statements continued

for the year ended 30 November 2021

26 List of subsidiaries continued

Name of undertaking	%	Country of incorporation	Principal activities	Registered office	Registered number
SThree Temp Experts GmbH	100	Germany	Recruitment	Querstrasse 7, 60322, Frankfurt am Main, Germany	HRB 103758
SThree Services GmbH	100	Germany	Recruitment	Querstrasse 7, 60322, Frankfurt am Main, Germany	HRB 122851
SThree Limited	100	Hong Kong	Recruitment	10th Floor, MassMutual Tower, 33 Lockhart Road, Wan Chai, Hong Kong	1113048
SThree India Private Limited	100	India	Under liquidation	511 The Corporate Centre, Nirmal Lifestyle Mall, LBS Road, Mulund (West), Mumbai, Maharashtra-MH. 400080, India	200224
SThree Staffing Ireland Limited	100	Ireland	Recruitment	3rd Floor, 80 Harcourt Street, Dublin, Ireland	283856
SThree K.K.	100	Japan	Recruitment	Ginza Wall Building, 13-16 Ginza 6-Chome, Chuo-ku, Tokyo, Japan	0100-01-147559
SThree S.à r.l.	100	Luxembourg	Recruitment	5th Floor, 2 rue de Fosse, L-1536, Luxembourg	B160680
Progressive Global Energy Sdn. Bhd.	49	Malaysia	Recruitment	10th Floor, Menara Hap Seng, No 1&3 Jalan P Ramlee, 50250 Kuala Lumpur, Malaysia	1033845-D
SThree Holdings BV	100	Netherlands	Recruitment	Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands	24295090
Huxley BV	100	Netherlands	Recruitment	De 5 Keizers, Keizersgracht 281, 5th floor. 1016 ED Amsterdam, Netherlands	54742730
SThree Interim Services BV	100	Netherlands	Recruitment	Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands	58612122
SThree Pte. Ltd.	100	Singapore	Recruitment	#09-02, 18 Cross Street, China Square Central, Singapore, 48423, Singapore	200720126E
SThree Business Services Ibérica, S.L.	100	Spain	Recruitment	WeWork, Glories, Carrer Tànger 86, 08018 Barcelona, Spain	B87900593
SThree Switzerland GmbH	100	Switzerland	Recruitment	3rd Floor, Claridenstrasse 34, 8002 Zürich, Switzerland	CH-020.4.044.653-4
Cavendish Directors Limited*	100	UK	Dormant	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	04326888
SThree UK Holdings Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	03804468
SThree Overseas Holdings Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	03247281
SThree UK Management Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	07509542
SThree Overseas Management Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	07846499
SThree UK Operations Limited*	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	08628611
SThree Euro UK Limited	100	UK	Support services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	04632138
SThree IP Limited*	100	UK	Support services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	03682824
SThree Management Services Limited*	100	UK	Management services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	04255086
SThree Partnership LLP	100	UK	Recruitment	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	OC387148
Huxley Associates Global Limited	100	UK	Recruitment	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	05908145

Name of undertaking	%	Country of incorporation	Principal activities	Registered office	Registered number
Progressive Global Energy Limited	100	UK	Recruitment	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	04883344
Progressive Global Energy Kurdistan Limited	100	UK	Dormant	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	08286247
Elevize Limited	100	UK	Support services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	03561279
HireFirst Limited	100	UK	Recruitment technology	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	11050648
Talent Deck Limited	100	UK	Dormant	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	10841039
Showcaser Limited	100	UK	Dormant	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	10873444
SThree Ventures Limited	100	UK	Holding company	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	11047674
SThree Dollar UK Limited	100	UK	Support services	1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom	11740244
Specialist Staffing Holdings Inc	100	USA	Holding company	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States	5692896
Specialist Staffing Solutions Inc	100	USA	Recruitment	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States	4367091
Specialist Staffing Services Inc	100	USA	Recruitment	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States	5134909
Newington International Inc	100	USA	Recruitment	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States	5222208
Progressive Global Energy Inc	100	USA	Dormant	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States	5387733

* Directly held subsidiaries. All other subsidiaries are indirectly held.

Audit exemptions:

The following Group entities are exempt from audit by virtue of Section 479A of the Companies Act 2006:

SThree Euro UK Limited	Huxley Associates Global Limited	Talent Deck Limited
SThree IP Limited	Progressive Global Energy Limited	Showcaser Limited
SThree Dollar UK Limited	Progressive Global Energy Kurdistan Limited	SThree Ventures Limited
SThree UK Operations Limited	HireFirst Limited	SThree Management Services Limited

Notes to the financial statements continued
for the year ended 30 November 2021

26 List of subsidiaries continued

Statutory guarantees:

SThree plc has provided statutory guarantees to the following entities in accordance with Section 479A of the Companies Act 2006:

SThree Euro UK Limited	Huxley Associates Global Limited	Talent Deck Limited
SThree IP Limited	Progressive Global Energy Limited	Showcaser Limited
SThree Dollar UK Limited	Progressive Global Energy Kurdistan Limited	SThree Ventures Limited
SThree UK Operations Limited	HireFirst Limited	SThree Management Services Limited

27 Alternative performance measures ('APMs'): definitions and reconciliations

Adjusted APMs

In discussing the performance of the Group, comparable measures are used, which are calculated by deducting from the directly reconcilable IFRS measures the impact of the Group's restructuring income, which is considered as an item impacting comparability, due to its nature.

Restructuring income

Support function relocation

This category comprised government grant income arising from a strategic relocation of SThree's central support functions away from the London headquarters to the Centre of Excellence located in Glasgow in 2018, further explained in note 3.

The Group discloses comparable performance measures to enable users to focus on the underlying performance of the business on a basis which is common to both periods for which these measures are presented. The reconciliation of comparable measures to the directly related measures calculated in accordance with IFRS is as follows.

Reconciliation of adjusted financial indicators for continuing operations

	2021							
	Revenue £'000	Net fees £'000	Administrative expenses including impairment loss £'000	Operating profit £'000	Profit before tax £'000	Tax £'000	Profit after tax £'000	Basic EPS pence
As reported	**1,330,726**	**355,713**	**(294,720)**	**60,993**	**60,158**	**(17,907)**	**42,251**	**31.9**
Exceptional items	**–**	**–**	**(184)**	**(184)**	**(184)**	**35**	**(149)**	**(0.1)**
Adjusted	**1,330,726**	**355,713**	**(294,904)**	**60,809**	**59,974**	**(17,872)**	**42,102**	**31.8**

	2020							
	Revenue £'000	Net fees £'000	Administrative expenses including impairment loss £'000	Operating profit £'000	Profit before tax £'000	Tax £'000	Profit after tax £'000	Basic EPS pence
As reported	1,202,622	308,575	(276,815)	31,760	30,595	(11,833)	18,762	14.2
Exceptional items	–	–	(468)	(468)	(468)	89	(379)	(0.3)
Adjusted	1,202,622	308,575	(277,283)	31,292	30,127	(11,744)	18,383	13.9

APMs in constant currency

As we are operating in 14 countries and with many different currencies, we are affected by foreign exchange movements, and we report our financial results to reflect this. However, we manage the business against targets which are set to be comparable between years and within them, for otherwise foreign currency movements would undermine our ability to drive the business forward and control it. Within this Annual Report, we highlighted comparable results on a constant currency basis as well as the audited results ('on a reported basis') which reflect the actual foreign currency effects experienced.

The Group evaluates its operating and financial performance on a constant currency basis (i.e. without giving effect to the impact of variation of foreign currency exchange rates from year to year). Constant currency APMs are calculated by applying the prior year foreign exchange rates to the current and prior financial year results to remove the impact of exchange rate.

Measures on a constant currency basis enable users to focus on the performance of the business on a basis which is not affected by changes in foreign currency exchange rates applicable to the Group's operating activities from period to period.

The calculations of the APMs on a constant currency basis and the reconciliation to the most directly related measures calculated in accordance with IFRS are as follows.

	2021					
	Revenue £'000	**Net fees £'000**	**Operating profit £'000**	**Operating profit conversion ratio***	**Profit before tax £'000**	**Basic EPS pence**
Adjusted	**1,330,726**	**355,713**	**60,809**	**17.1%**	**59,974**	**31.8**
Currency impact	**35,686**	**11,325**	**3,648**	**0.5%**	**3,669**	**2.0**
Adjusted in constant currency	**1,366,412**	**367,038**	**64,457**	**17.6%**	**63,643**	**33.8**

	2020					
	Revenue £'000	Net fees £'000	Operating profit £'000	Operating profit conversion ratio*	Profit before tax £'000	Basic EPS pence
Adjusted	1,202,622	308,575	31,292	10.1%	30,127	13.9
Currency impact	3,119	970	206	0.1%	203	0.1
Adjusted in constant currency	1,205,741	309,545	31,498	10.2%	30,330	14.0

* Operating profit conversion ratio represents operating profit over net fees.

Other APMs

Net cash excluding lease liabilities

Net cash is an APM used by the Directors to evaluate the Group's capital structure and leverage. Net cash is defined as cash and cash equivalents less current and non-current borrowings excluding lease liabilities, less bank overdraft, as illustrated below:

	2021 £'000	2020 £'000
Cash and cash equivalents	**57,526**	50,363
Bank overdraft	**(24)**	(468)
Net cash	**57,502**	49,895

EBITDA

In addition to measuring financial performance of the Group based on operating profit, the Directors also measure performance based on EBITDA. It is calculated by adding back to the reported operating profit operating non-cash items such as the depreciation and impairment of property, plant and equipment ('PPE'), the amortisation and impairment of intangible assets, and the employee share options.

The Group also discloses adjusted EBITDA which is intended to provide useful information to analyse the Group's operating performance excluding the impact of operating non-cash items as defined above and net exceptional items. Where relevant, the Group also uses adjusted EBITDA to measure the level of financial leverage of the Group by comparing adjusted EBITDA to net debt.

Notes to the financial statements continued

for the year ended 30 November 2021

27 Alternative performance measures ('APMs'): definitions and reconciliations continued

A reconciliation of reported operating profit for the year, the most directly comparable IFRS measure, to EBITDA and adjusted EBITDA is set out below.

	2021 £'000	2020 £'000
Reported operating profit for the year from continuing operations	**60,993**	31,760
Reported operating loss for the year from discontinued operations	**(33)**	(1,795)
Depreciation and impairment of PPE	**15,764**	16,654
Depreciation and impairment of intangible assets	**2,561**	3,910
Loss on disposal of PPE and intangible assets	**273**	136
Employee share options	**1,520**	916
EBITDA	**81,078**	51,581
Exceptional items	**(184)**	(468)
Adjusted EBITDA	**80,894**	51,113

Dividend cover

The Group uses dividend cover as an APM to ensure that its dividend policy is sustainable and in line with the overall strategy for the use of cash. Dividend cover is defined as the number of times the Company is capable of paying dividends to shareholders from the profits earned during a financial year, and it is calculated as the Group's profit for the year attributable to owners of the Company over the total dividend paid to ordinary shareholders.

		2021	2020
Profit for the year attributable to owners of the Company (£'000)	**A**	**41,982**	16,953
Dividend proposed to be paid to shareholders (£'000) (note 9)	**B**	**14,672**	6,645
Dividend cover	**(A ÷ B)**	**2.9**	2.6

Contract margin for continuing operations

The Group uses Contract margin as an APM to evaluate Contract business quality and the service offered to customers. Contract margin is defined as Contract net fees as a percentage of Contract revenue.

		2021	2020
Contract net fees (£'000)	**A**	**266,163**	233,343
Contract revenue (£'000)	**B**	**1,239,100**	1,124,817
Contract margin	**(A ÷ B)**	**21.5%**	20.7%

Total shareholder return ('TSR')

The Group uses TSR as an APM to measure the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date. The TSR is calculated by the external independent data-stream party.

	2021	2020
SThree plc TSR return index value: three-month average to 30 Nov 2018 (2020: 30 Nov 2017) (pence)	**284.75**	285.77
SThree plc TSR return index value: three-month average to 30 Nov 2021 (2020: 30 Nov 2020) (pence)	**528.47**	240.74
Total shareholder return	**85.6%**	(15.8%)

Free cash conversion ratio

The Group uses the free cash conversion ratio as an APM to measure the business's ability to convert profit into cash. It represents cash generated from operations for the year after deducting tax, net interest cost and rent payments, stated as a percentage of operating profit. The free cash flow can then be used to fund Group operations such as capex, share buy-backs, dividends, etc.

The following table illustrates how adjusted free cash conversion ratio is calculated.

	2021						
	Operating profit A £'000	Operating non-cash items* £'000	Changes in working capital £'000	Cash generated from operations B £'000	Tax and net interest paid on RCF C £'000	Rent payments, incl. interest portion D £'000	Free cash conversion ratio (B+C+D) ÷ A
As reported	**60,724**	**20,354**	**(26,550)**	**54,528**	**(16,999)**	**(13,067)**	**40.3%**
Exceptional items	**(184)**	**–**	**184**	**–**	**–**	**–**	**n/a**
Adjusted	**60,540**	**20,354**	**(26,366)**	**54,528**	**(16,999)**	**(13,067)**	**40.4%**

	2020						
	Operating profit A £'000	Operating non-cash items* £'000	Changes in working capital £'000	Cash generated from operations B £'000	Tax and net interest paid on RCF C £'000	Rent payments, incl. interest portion D £'000	Free cash conversion ratio (B+C+D) ÷ A
As reported	29,965	21,616	25,312	76,893	(10,871)	(13,579)	175.0%
Exceptional items	(468)	–	468	–	–	–	n/a
Adjusted	29,497	21,616	25,780	76,893	(10,871)	(13,579)	177.8%

* Operating non-cash items represent depreciation, amortisation, impairment of intangible assets, loss on disposal of PPE and intangible assets, and employee share options and performance share costs as presented in the line 'non-cash charge/(credit) for share-based payments' of the Consolidated Statement of Cash Flows.

Five-year financial summary

Financial metrics presented for continuing operations only	**30 November 2021**	30 November 2020	30 November 2019	30 November 2018	30 November 2017
Financial metrics					
Revenue (£'m)	**1,330.7**	1,202.6	1,324.7	1,235.8	1,089.2
Net fees (£'m)	**355.7**	308.6	338.0	316.5	281.9
Adjusted operating profit (£'m)	**60.8**	31.3	60.0	53.8	43.7
Adjusted operating profit conversion ratio	**17.1%**	10.1%	17.8%	17.0%	15.5%
Adjusted basic EPS (pence)	**31.8**	13.9	33.2	30.7	24.7
Other Group ratios					
Total assets (£'m)	**400.6**	334.5	305.1	360.5	273.5
Total equity (£'m)	**158.2**	128.5	116.8	101.7	80.7
Net cash/(debt) (£'m)	**57.5**	49.9	10.6	(4.1)	5.6
Adjusted cash from operations (£'m)	**54.5**	76.9	54.8	40.6	41.1
Adjusted free cash conversion ratio	**40.4%**	177.8%	68.3%	47.7%	66.5%
Dividends per share (pence)	**11.0**	5.0	15.3	14.5	14.0
Group operational statistics					
Average total headcount[1]	**2,588**	2,894	3,109	2,926	2,668
Average sales headcount[1]	**1,911**	2,219	2,423	2,254	2,090
Active contractors at year end	**11,809**	9,523	11,110	11,203	10,197

1. Based on full-time equivalents.

Announcement timetable

SThree plc confirms the following forthcoming dates in the Group financial calendar:

2022

31 January 2022	Annual results for the year ended 30 November 2021
21 March 2022	Q1 Trading Statement
20 April 2022	Annual General Meeting*
20 June 2022	Trading update for the six months ended 31 May 2022
25 July 2022	Interim results for the six months ended 31 May 2022
19 September 2022	Q3 Trading Statement
14 December 2022	Trading update for the year ended 30 November 2022

2023

30 January 2023	Annual results for the year ended 30 November 2022

* The Group does not normally provide a trading update at the time of its AGM.

Shareholder information

Shareholders with enquiries relating to their shareholding should contact Link Group.

Alternatively, you may access your account via www.sthreeshares.com, but will need to have your investor code available when you first log in, which can be found on your dividend voucher, share certificate or form of proxy. The online facility also allows shareholders to view their holding details, how to register a change of name or what to do if a share certificate is lost, as well as download forms in respect of changes of address, dividend mandates and share transfers.

Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by e-mail each time the Company distributes documents, instead of receiving a paper version of such documents. You can choose your preferred communication method by using the shareholder portal at www.sthreeshares.com, alternatively you can register your request via the registrar by calling 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00–17.30, Monday to Friday excluding public holidays in England and Wales. There is no fee for using this service and you will automatically receive confirmation that a request has been registered. Should you wish to change your mind or request a paper version of any document in the future, you may do so by contacting the registrar.

Potential targeting of shareholders

Companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based brokers who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority ('FSA') reported that the average amount lost by investors was around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years.

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

Reject unexpected offers

Scammers usually cold call, but contact can also come by email, post, word of mouth or at a seminar. If you've been offered an investment out of the blue, chances are it's a high-risk investment or a scam.

Check the Financial Conduct Authority ('FCA') Warning List

Use the FCA Warning List to check the risks of a potential investment – you can also search to see if the firm is known to be operating without FCA authorisation.

Get impartial advice

Get impartial advice before investing – don't use an adviser from the firm that contacted you.

You can report a firm or scam to the FCA on 0800 111 6768 or through www.fca.org.uk/scamsmart

If you've lost money in a scam, contact Action Fraud on 0300 123 2040 or www.actionfraud.police.uk

Share price information

Information on the Company's share price can be found via: www.sthree.com.

ShareGift

ShareGift (reg charity no. 1052686) operates a charity share donation scheme for shareholders with small parcels of shares whose value may make it uneconomic to sell. Details of the scheme are available from:

Website: www.sharegift.org

Tel: 0207 930 3737

Company information and corporate advisors

Executive Directors

Timo Lehne
Interim Chief Executive Officer

Andrew Beach
Chief Financial Officer

Whistleblowing hotline

Tel: (UK) 0800 915 1571
Website: www.safecall.co.uk/report

Financial advisors and stockbrokers

Liberum
25 Ropemaker Street
London
EC2Y 9LY

Panmure Gordon
1 New Change
London
EC4M 9AF

Financial PR

Alma PR
71–73 Carter Lane
London
EC4V 5EQ

Auditors

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Registrars (ordinary shares)

Link Asset Services
The Registry
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* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00–17.30, Monday to Friday excluding public holidays in England and Wales.

Group Company Secretary and registered office

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