



# GOVERNANCE

How the Hays Board sets strategic direction and provides oversight and control.

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Chairman's statement

## WE ENCOURAGE AN OPEN AND COMMUNICATIVE CULTURE

“The Board continues to be committed to high standards of corporate governance.”

Andrew Martin  
Chairman, Hays plc

### Dear Shareholder

I am writing to you for the first time as Chairman, following the sad and untimely passing of Alan Thomson in July 2018.

I would like to take a moment to say a few words about Alan. He was a truly wonderful man, was universally liked and respected across our business, and a most loyal and effective Chairman. He was a Non-Executive Director of Hays for almost eight years and Chairman for most of that, and his contribution to the success of the business we have today is considerable. He had a wit and charm about him that made sharing the Boardroom, and longer periods as our Board schedule required, an absolute pleasure.

One of the many reasons Alan was recruited to the Board was that he was very much a people person, and in a business like Hays, this means a great deal. It is a much-used term, but we had the good fortune to see first-hand, when the Board made visits across the UK and overseas, Alan's unique ability to relate to people from all walks of life and across the entire organisation.

Both my Board colleagues and I were deeply saddened by Alan's passing. Although he had been unwell, it was unexpected and sudden. True to his style, he was battling hard, and still serving Hays so effectively to within a week of his passing. He will be greatly missed by all of us at Hays and beyond. I would like to express thanks on behalf of the Board and everyone at Hays for the kind words that have been said by so many of you who had the good fortune to know Alan.

Although I only took on the role of Chairman in July, initially on an interim basis, I did want to make a few comments on corporate governance and the business.

I am pleased to present to you the Governance section of the 2018 Annual Report and to confirm that Hays has complied in full with the principles set out in the UK Corporate Governance Code. The past year has also been a year of scrutiny, from the Government and the wider public. The Board has paid close attention to the various developments, including the FRC's amendments to the Code. We are reviewing the changes to ensure that over time we implement them effectively, as appropriate.

The Board continues to be committed to high standards of corporate governance, which provides the framework and foundation for driving appropriate and proper behaviours across the business, helps enhance performance and provides the basis for long-term sustainable growth.

Our corporate culture is also central to the organisation, who we are, and how we go about business. As a business that is so reliant on people and relationships, it is central to the success of Hays. We encourage an open and communicative culture where all employees are encouraged to participate with ideas and take the initiative, and we encourage engagement with all our stakeholders.

Consistent with this, in June, we held our fifth Global Conference for the senior leadership team, in London. There were 170 colleagues from around the world. The key objective of the conference was to get a real insight into some of the exciting trends and developments going on in a rapidly-changing world – and then to encourage our people to think about the implications and opportunities for our business and our wider stakeholders. This provided all of the Board members a great opportunity to spend time with the senior leadership team, and see both the challenges and opportunities facing them, and some of their approaches to dealing with those.

On that note, I would like to thank all of our employees and teams across the Group for their continued hard work and support. Without each of them, the successful year we have enjoyed would not have been possible.

Having delivered another strong financial performance, including strong cash conversion, we have a year-end cash surplus. Consistent with our approach last year, the Board proposes the distribution of some of this by way of a special dividend, for the second successive year. Voting at last year's AGM suggests it was a well-received decision, and we hope it will be again this year.

Finally, I look forward to meeting any shareholders who can join us at our AGM in November, and would like to thank you for your continued support.

**Andrew Martin**  
Chairman

## Our governance framework

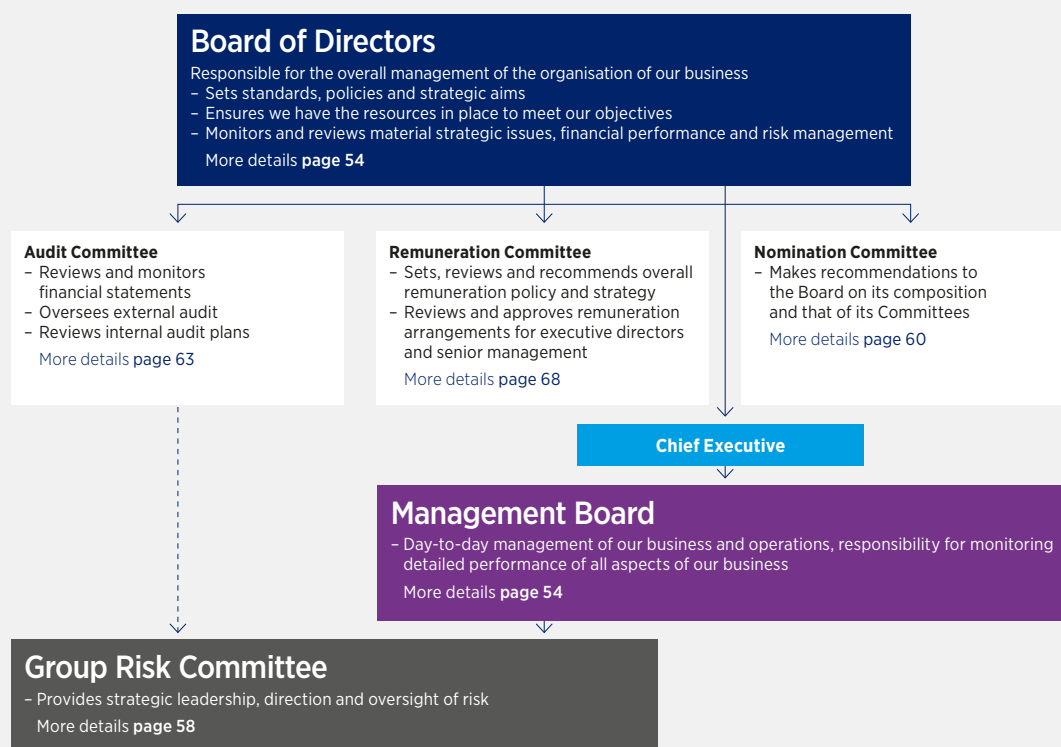
Responsibility for good governance rests with the Board; this is underpinned by an effective governance framework which, the Board believes, fits the requirements of Hays' business.

The Board retains certain matters for its own preserve; other specific responsibilities are delegated to its principal Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of these Committees operates within defined terms of reference, which are available on the Company's website. The Board has also delegated to a sub-committee certain matters which are routine in nature, or which have been agreed in principle by the Board; these require a meeting of three directors, with an appropriate mix of executives and non-executives. Such matters are reported to the full Board.

The Chairman of each Committee reports to the Board on its proceedings, and minutes of the meetings are available as appropriate.

## Statement of Code Compliance

Hays plc is subject to the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council (available at [frc.org.uk](http://frc.org.uk)), published in April 2016. As a listed company, Hays is required to report on how it has applied the principles of the Code and this is set out in the following pages. The Board is pleased to report that Hays has complied with all of the provisions of the Code throughout the year ended 30 June 2018. It also complied to the date of this document, with the exception that, following Andrew Martin's appointment as Chairman, initially on an interim basis, the decision was taken not to appoint an interim Senior Independent Director, but instead await a permanent appointment.



## Board of Directors

# A BALANCED AND EFFECTIVE TEAM, FIT FOR PURPOSE.

● Executive Board member ● Non-Executive Director



**Andrew Martin (58)** ●  
Non-Executive Chairman

**Appointed:** 12 July 2017

**Committees:** Nomination (Chairman)

**Skills and experience:** Andrew trained as a Chartered Accountant at Peat Marwick before moving to Arthur Andersen where he became a partner. He was, until 2015, Group Chief Operating Officer, Europe and Japan, for Compass Group plc, having previously been their Group Finance Director from 2004 to 2012. Before joining Compass Group, Andrew was Group Finance Director at First Choice Holidays plc and prior to that held a number of Senior Finance roles at Granada Group plc.

**Principal external appointments:** Andrew has been a Non-Executive Director of easyJet plc since 2011, Chairing their Finance Committee, a Non-Executive Director at Intertek Group plc since 2016, Chairing their Audit Committee since 2017, and in July 2018 Andrew was appointed as a Non-Executive Director of the John Lewis Partnership Board and Chair of their Audit and Risk Committee.



**Alistair Cox (57)** ●  
Chief Executive

**Appointed:** 1 September 2007

**Skills and experience:** A Chartered Engineer with an MBA from Stanford University, Alistair's early career was in various field engineering, management and research science roles with British Aerospace and then Schlumberger. Following his MBA, Alistair worked for McKinsey & Company before joining Blue Circle Industries, where he was the Group Strategy Director and then the Regional Director for Asia. Prior to joining Hays, Alistair was Chief Executive of Xansa plc. Alistair was a former non-executive director of 3i Group plc.

**Principal external appointments:** Non-Executive Director of Just Eat plc.



**Paul Venables (56)** ●  
Group Finance Director

**Appointed:** 2 May 2006

**Skills and experience:** A Chartered Accountant and also USA qualified, Paul started his career at Deloitte & Touche where he was a Senior Manager in its USA practice. This was followed by a 13-year career at Exel plc where he held a number of senior finance and operational roles including Deputy Group Finance Director and was a member of the Executive Board of Exel plc and Chairman of their Acquisitions and Project Review Board. Following the acquisition of Exel plc by Deutsche Post, Paul worked in its DHL Logistics division before joining Hays. Paul is a former Senior Independent Non-Executive Director of Wincanton plc.



**Victoria Jarman (46)** ●  
Independent Non-Executive Director

**Appointed:** 1 October 2011

**Committees:** Audit (Chairman), Nomination and Remuneration

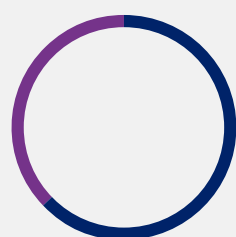
**Skills and experience:** An engineering graduate of the University of Leicester and a Chartered Accountant, Victoria started her career with KPMG before moving to Lazard Corporate Finance, where she was Chief Operating Officer of Lazard's London and Middle East operations and a member of its European Management Committee.



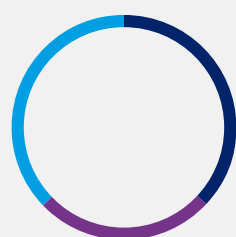
**In remembrance**  
**Alan Thomson 1946 – 2018**

Alan joined the Board as a Director on 1 October 2010 and was appointed Chairman on 10 November 2010. He served the Company in that role until his untimely passing on 23 July 2018, including for the duration of the year under review in this Annual Report.

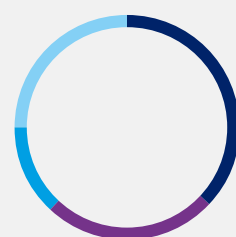
## Board diversity



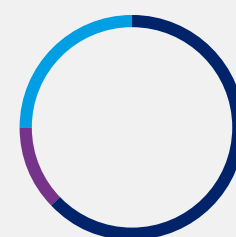
## Board tenure



## Board experience



## Board composition

**Torsten Kreindl (55)** ●

Independent Non-Executive Director

Appointed: 1 June 2013

Committees: Audit, Nomination and Remuneration

**Skills and experience:** A graduate from Johannes Kepler University in Linz, Austria with a PhD in industrial engineering and technical chemistry. Torsten has held senior executive positions for Booz Allen Hamilton and Deutsche Telekom AG.

**Principal external appointments:** Torsten is a partner in Grazia Equity, a Munich-based capital firm.

**Susan Murray (61)** ●

Independent Non-Executive Director

Appointed: 12 July 2017

Committees: Audit, Nomination and Remuneration (Chairman)

**Skills and experience:** Susan's executive career was spent in consumer goods and retail, with organisations such as Colgate Palmolive, Kraft, Duracell and Diageo and, most recently, as CEO of Littlewoods Stores. Susan has served as a non-executive director of Compass Group plc, Imperial Tobacco Group (now Imperial Brands plc) and Enterprise Inns (now EI Group plc).

**Principal external appointments:** Susan is a non-executive director of Grafton Group plc, where she also chairs their Remuneration Committee.

**MT Rainey (63)** ●

Independent Non-Executive Director

Appointed: 14 December 2015

Committees: Audit, Nomination and Remuneration

**Skills and experience:** An experienced media and advertising professional, MT Rainey has worked extensively in the UK and US. MT founded the advertising agency Rainey Kelly Campbell Roalfe, which she grew to a top 20 agency before it was sold to Y&R, a subsidiary of WPP plc, and where MT was CEO then Chair until 2005. In addition she was Chair of the leading digital strategy agency Th\_nk Ltd from 2008-2015. Previous non-executive directorships held by MT include WH Smith plc, STV Group plc, Channel 4 Television and Pinewood Group plc. MT has Masters' degrees from Aston University and Glasgow University.

**Peter Williams (65)** ●

Independent Non-Executive Director

Appointed: 24 February 2015

Committees: Audit, Nomination and Remuneration

**Skills and experience:** Peter has a Law degree from Cambridge University and is a Chartered Accountant. He was, until 2011, Group Finance Director of Daily Mail & General Trust plc, a role he performed for 19 years, making him one of the longest-serving CFOs in the FTSE.

**Principal external appointments:** Since 2011 Peter has been a non-executive director of Perform Group, a leading digital sports media company; he is also a Trustee of the Royal Academy and a member of the Industrial Advisory Board of GVQ Asset Management, a UK equity management company.

**Doug Evans (55)**

Company Secretary and General Counsel

Appointed: 4 February 2013

**Skills and experience:** A law graduate from Rhodes University who began his career with Webber Wentzel in South Africa, specialising in corporate and commercial law before moving in-house. Doug has previously held the posts of Company Secretary & Corporate Legal Director at Exel plc and Group General Counsel at Royal Mail Limited. Prior to joining Hays, Doug was an executive director, Company Secretary & General Counsel at Mitchells & Butlers plc.

## LEADERSHIP

### The Hays Board

#### Composition of the Board

The Board is currently made up of two executive directors and six non-executive directors, including the Chairman. Their biographies, including prior experience, are set out on pages 52 and 53.

#### Board changes during the year

Andrew Martin and Susan Murray joined the Board on 12 July 2017. Paul Harrison and Pippa Wicks retired from the Board at the Company's AGM on 15 November 2017.

#### Re-election of directors at the 2018 AGM

In accordance with the Company's Articles of Association and the principles of the Code, all Directors of the Company will offer themselves for re-election at the 2018 AGM with the exception of Victoria Jarman. Having received advice from the Nomination Committee, the Board is satisfied that each director standing for re-election is qualified for re-election by virtue of their skills, experience and commitment to the Board.

#### Operational governance

##### The Management Board

Responsibility for the day-to-day management of our business and operations rests with the Chief Executive, who operates through the Management Board – the principal executive committee within Hays. In performing this role, the Management Board also has responsibility for monitoring detailed performance of all aspects of our business.

The Management Board, which meets monthly, is chaired by the Chief Executive and also comprises the Group Finance Director, the Company Secretary & General Counsel, the Chief Marketing Officer, the Group Technology Director, the Group Head of People & Culture and the Managing Directors of the Group's operating divisions. Each Management Board member has a clearly defined remit, business objectives and financial budget within which they operate. Our organisational structure is now built around four regions globally: UK & Ireland; Germany; Australia & New Zealand; and Rest of World. Regional Managing Directors operate their business through regional boards, which comprise key business and functional managers with specific responsibilities within those regions. Each business is given operational autonomy, as far as possible, within a well-established internal control framework which consists of, among other things, a Group-wide set of policies and procedures, operational delegated authorities and policies on anti-bribery and corruption, competition compliance, conduct and ethics, and whistleblowing.

### The role of the Hays plc Board

The Hays plc Board is collectively responsible to the Company's shareholders for the long-term success of the Company. It sets the Company's strategic objectives and determines the risk appetite and control framework within which those objectives are achieved.

The Board provides effective oversight of the Company and its businesses within a robust governance structure that helps achieve the long-term success of the Company and deliver sustainable shareholder value.

The Board also provides leadership of the Company and direction for management, ensuring that the necessary resources are in place for the Company to meet its objectives and it keeps under review management's performance in regard to achieving those objectives.

Our aim is to be the world's pre-eminent specialist recruitment business. In pursuit of this aim, our employees across the globe work towards achieving our Strategic Priorities, set out on page 20. The Board closely monitors management and its delivery of a sustainable and profitable business, ensuring it continues to operate within the appropriate risk-reward culture. The Board has established a core set of brand values, which it promotes throughout the Group. These values, which underpin our skills, behaviours and way of doing business, are being ambitious, being passionate about people, being expert at what we do and being inquisitive about the world of work. These values serve to engender an entrepreneurial culture within Hays, which is critical to our continued success without promoting excessive risk-taking.

#### Role of the Non-Executive Directors

Hays' non-executive directors have a broad and complementary mix of business skills, knowledge and experience acquired across sectors and geographies. This allows them to provide strong, independent and external perspectives to Board discussions, which complement the skills and experience of the executive directors. In turn, this leads to a diversity of views being aired at Board meetings, robust and constructive debate and optimal decision-making. At the same time, it also reduces the likelihood of any one perspective prevailing unduly.

A key role performed by the non-executive directors is the scrutiny of executive management in meeting agreed objectives and monitoring the reporting of performance. They also ensure that financial controls and systems of risk management are both rigorous and appropriate for the needs of the business.

The terms and conditions of appointment of non-executive directors, including the expected time commitment, are available for inspection at the Company's registered office, and a pro forma letter of appointment is also available on the Company's website.

## Our governance framework

### Andrew Martin Chairman

- Leadership and the effective operation of the Board
- Chairing the Board and Nomination Committee
- Setting the agenda, style and tone of Board discussions including promoting openness, debate and effective individual contribution
- Effective communications with shareholders
- Ensuring that all directors receive clear and accurate information on a timely basis
- Ensuring the effectiveness of the Board through induction, ongoing training and regular evaluations

### Alistair Cox Chief Executive

- Day-to-day management of the Group's business
- Formulating strategic business objectives for Board approval and implementing approved strategic objectives and policies
- Managing and optimising the operational and financial performance of the business in conjunction with the Group Finance Director
- Fostering a good working relationship with the Chairman
- Chairing the Management Board and developing senior talent within the business for succession planning

### Vacant (from 23 July 2018; see below) Senior Independent Director

- Acting as a sounding board for the Chairman
- Serving as an alternative contact and intermediary for other directors and shareholders
- Leading the Chairman's annual performance appraisal and ultimate succession

### Doug Evans Company Secretary and General Counsel

- Acting as Secretary to the Board, its Committees and the Management Board
- Providing legal and governance support to the Board as a whole and directors individually
- Ensuring that the Group complies with all relevant legal, regulatory and governance requirements

During the year, the Board considered the independence of each of the non-executive directors, save for the Chairman who was deemed independent by the Board at the date of his appointment. In doing so, it concluded that each non-executive director remained independent of management and free from any relationship that could interfere with the exercise of their independent judgment. All of Hays' directors are expected to act in the best interests of the Company.

### Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate, with a clear division of responsibilities between them which is set out in writing; the responsibility for this separation of duties rests formally with the Board.

As Chairman for the duration of the year under review, Alan Thomson presided over the Board and was responsible for its leadership and overall effectiveness. In doing so, he fostered and helped to maintain an effective working relationship between the executive and non-executive directors. Following his passing in July 2018, this role was assumed by Andrew Martin.

As Chief Executive, Alistair Cox has responsibility for the day-to-day management of the Company's business and the implementation and delivery of the Board strategy.

This separation of roles enhances the independent oversight of executive management by the Board and more closely aligns the Board with shareholders. It also means that no one individual within the Company has unfettered powers of decision making.

### Senior Independent Director

Following the retirement of Paul Harrison at the 2017 AGM, the Board appointed Andrew Martin to the position of Senior Independent Director on 15 November 2017. Andrew performed this role for the remainder of the financial year; he relinquished it on appointment as Chairman, initially on an interim basis, following the passing of Alan Thomson in July 2018. In performing this role Andrew provided shareholders with someone to whom they could turn if ever they had concerns which they could not address through the normal channels, for example, with the Chairman or executive directors. The Senior Independent Director is available as an intermediary between his/her fellow directors and the Chairman.

While there were no requests from directors or shareholders for access to the Senior Independent Director during the year, the role serves as an important check and balance in Hays' governance process. In the fulfilment of his role Andrew ensured he maintained a thorough understanding of the views of the Company's shareholders. This position is currently vacant, following Andrew's permanent appointment to the role of Chairman on 28 August 2018.

Key roles and responsibilities of these positions, and that of the Company Secretary, are provided above.

### Matters reserved for the Board

A schedule of formal matters reserved for the Board's decision and approval is available on our website, [haysplc.com](http://haysplc.com). These largely relate to matters of governance and business where independence from executive management is important, and include the following:

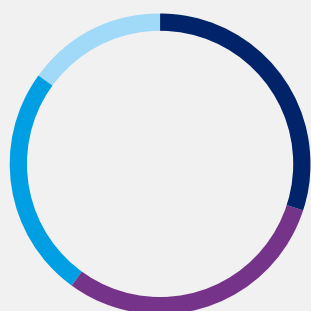
- Approving financial results and other financial, corporate and governance matters;
- Approving Group strategy;
- Approving appointments to the Board;
- Approving and recommending dividends as appropriate and deciding dividend policy;
- Reviewing material litigation;

- Approving major capital projects, acquisitions and disposals;
- Approving material contracts;
- Reviewing annually the effectiveness of internal control and the nature and extent of significant risks identified by management and associated mitigation strategies; and
- Approving the annual budget.

No changes to the schedule of matters were made during the year. Board decisions are usually by consensus at Board meetings. On occasion, decisions may be taken by a majority of Board members. In the case of an equality of votes, Hays' Articles of Association provide the Chairman with a second or casting vote.

### Board focus during 2018 – What the Board has done in the year

Percentage of time spent by the Board



|  |     |
|--|-----|
| ■ Developing a successful strategy                       | 30% |
| ■ Ensuring appropriate financial management              | 30% |
| ■ Implementing governance and ethics and monitoring risk | 25% |
| ■ Stakeholder engagement                                 | 15% |

#### 1. Developing a successful strategy

- Attended a Group strategy day, with members of the Management Board and other senior executives, to consider key strategic priorities and challenges faced across the business
- Approved the Group strategy and reviewed associated performance
- Visited operations in Germany, France and the UK, receiving presentations from senior management on business performance, the state of the market, strategy, succession planning and opportunities
- Reviewed strategy plans and received reports on the operational performance for the Group's regions
- Received reports on technology and innovation and related industry developments
- Attended the Investor Day
- Attended Global Management Conference

#### 2. Ensuring appropriate financial management

- Received and considered regular reports on the Group's financial performance
- Approved financial announcements for publication
- Approved the annual budget
- Approved dividend policy, payments and recommendations as appropriate, including consideration of a special dividend
- Reviewed the status of the Company's closed defined benefit pension scheme
- Met with the Company's financial adviser and corporate brokers
- Considered ad hoc property and finance-related transactions

#### 3. Implementing governance and ethics and monitoring risk

- Performed the annual review of the effectiveness of internal control, risk identification and mitigation
- Reviewed regular reports on legal and compliance matters from the Company Secretary
- Received formal training updates on corporate reporting, legal and regulatory matters
- Reviewed Board and Committee effectiveness
- Reviewed the terms of reference of the Board Committees
- Reviewed the Directors' Conflicts of Interest procedures
- Reviewed the Company's compliance with the Code
- Received further updates in connection with the implementation of the General Data Protection Regulation
- Took part in a crisis management simulation

#### 4. Stakeholder engagement

- Considered the results from TALKback, the Group's employee engagement survey
- Considered and approved invitations under the Company's all-employee share plans
- Received regular updates on views and feedback from investors
- Considered the Company's investor relations strategy
- Considered and reviewed the leadership and development strategy
- Reviewed the Group's succession plans and assessed risks and options

### Board commitment

The Board has established a policy permitting its executive directors to hold only one external non-executive directorship, subject to any possible conflict of interest. This ensures that executive directors retain sufficient time for and focus on the Company's business, whilst allowing them to gain external Board exposure as part of their leadership development. Executive directors are permitted to retain any fees paid for such services. Details of the annual rate of fees payable are shown below:

| Director     | Fee     | External appointment |
|--------------|---------|----------------------|
| Alistair Cox | £60,000 | Just Eat plc         |

While the Company does not have a similar policy for non-executive directors, their key external commitments are reviewed each year to ensure that they too have sufficient time commitment for the fulfilment of their Board responsibilities. Key external commitments of the Board are included within their biographies on pages 52 and 53.

The Board considered the commitments of Andrew Martin on his appointment as Chairman and is satisfied that he has sufficient time to devote to his Board responsibilities with Hays.

### Information and support

The Board meets regularly throughout the year and agrees a forward calendar of matters that it wishes to discuss at each meeting.

Standing items, including operational, functional and financial reviews and Committee updates are considered at each scheduled Board meeting, with unplanned items such as commercial or property-related decisions being considered as and when required. The Chairman, in conjunction with the Chief Executive and Company

Secretary, plans the agenda for each Board meeting and ensures that supporting papers are clear, accurate, timely and of sufficient quality to enable the Board to discharge its duties.

All Board directors have access to the Company Secretary, who advises them on Board and governance matters. As well as the support of the Company Secretary, there is a procedure in place for any director to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

### Our values and culture

Hays is a people business and people are at the core of what we do. As such we foster a meritocratic and entrepreneurial culture, which is reflected in our four brand values of:

- Expert;
- Ambitious;
- Passionate about People; and
- Inquisitive.

To support this culture we maintain an open style of communication, which is designed to both identify issues early, and also to recognise potential opportunities, so that in both cases appropriate action can be taken in terms of reducing any negative impact on the business whilst ensuring opportunities are exploited.

These characteristics and brand values are core to our Group culture and are supported via the following mediums and underpinned by the Hays Group Policies and Procedures:

- Corporate communications;
- Global intranet; and
- Hiring, induction, training and promotion criteria.

### Board attendance

The Board met a total of seven times during the year. In addition, the Board attended an annual Strategy Review meeting with the Management Board being present. Five Board meetings were held in the UK, one in Mannheim, Germany, and one in Paris, France.

Board and Committee attendance for scheduled meetings during the year are shown below.

| Board and Committee attendance | Board  | Audit Committee | Nomination Committee | Remuneration Committee |
|--------------------------------|--------|-----------------|----------------------|------------------------|
| Alan Thomson                   | 7 of 7 | -               | 2 of 2               | -                      |
| Alistair Cox                   | 7 of 7 | -               | -                    | -                      |
| Paul Venables                  | 7 of 7 | -               | -                    | -                      |
| Paul Harrison <sup>(1)</sup>   | 4 of 4 | 2 of 2          | 1 of 1               | 2 of 2                 |
| Andrew Martin <sup>(2)</sup>   | 6 of 7 | 4 of 4          | 1 of 1               | 4 of 4                 |
| Victoria Jarman <sup>(3)</sup> | 6 of 7 | 3 of 4          | 1 of 2               | 3 of 4                 |
| Torsten Kreindl                | 7 of 7 | 4 of 4          | 2 of 2               | 4 of 4                 |
| Susan Murray <sup>(4)</sup>    | 6 of 7 | 3 of 4          | 1 of 1               | 3 of 4                 |
| MT Rainey                      | 7 of 7 | 4 of 4          | 2 of 2               | 4 of 4                 |
| Pippa Wicks <sup>(1)</sup>     | 4 of 4 | 2 of 2          | 1 of 1               | 2 of 2                 |
| Peter Williams                 | 7 of 7 | 4 of 4          | 2 of 2               | 4 of 4                 |

(1) Stepped down from the Board on 15 November 2017.

(2) Unable to attend one Board meeting due to a prior commitment.

(3) Unable to attend one Board, Audit and Remuneration Committee meeting due to serious family illness.

(4) Unable to attend one Board, Audit and Remuneration Committee due to a prior commitment.

### Risk management and internal control

The Board has overall responsibility for the Group's internal control systems and for reviewing their effectiveness. This has been designed to assist the Board in making better, more risk-informed, strategic decisions with a view to creating and protecting shareholder value. In practice, the Board delegates the task of implementing its policy on risk and control to management. Further support and assistance is provided by an independent Internal Audit function, details of which are provided in the Audit Committee Report.

The Management Board oversees an enterprise risk management system which allows for a holistic, top-down and bottom-up view of key risks facing the business. These are recorded in a Group risk register, which is reviewed at least annually by the Management Board and submitted to the Board thereafter to enable it to carry out its risk oversight responsibility. This exercise involves a current and forward look at various risks affecting the business and prioritising them according to risk magnitude and likelihood. Risks covered include operational, business and compliance risks as well as financial risks. Each risk is assigned an owner with current and future risk mitigation procedures detailed, with the continuing monitoring of these undertaken on an ongoing basis. The principal risks currently facing the business are detailed in the Strategic Report.

The Group Risk Committee assists the Management Board in providing strategic leadership, direction, reporting and oversight of the Group's risk framework. The Committee is chaired by the Group Finance Director and membership includes representation across the global network and comprises operational, IT and finance functions. Meetings are held at least three times a year, with activities and recommendations reported to the Management Board. The Hays plc Board also has oversight of the Committee and its activities. A Chief Risk Officer was appointed in August 2018, who will further strengthen the Group's risk management framework.

The Board reviews Group strategy and approves a budget each year, to ensure that the performance of the business is in line with the plan and financial and operational reporting procedures are in place. Comprehensive annual budgets and quarterly forecasts are approved by the Management Board and business divisions. Monthly progress and variances are reported to the Management Board and subsequently to the Board at each meeting as part of the ongoing internal control process.

Complementing these financial controls is a set of Group-wide policies and procedures addressing non-quantifiable risks. These include security policies, the Group's Code of Conduct and Ethics, Anti-Bribery and Corruption Policy, and whistleblowing arrangements. The Board regularly receives management and Committee reports which also form part of the internal control system.

The Group's internal control procedures are subject to regular review and provide an ongoing process for identifying, evaluating and managing significant risks. This is in accordance with the Guidance on Risk Management and Internal Control and Related Financial and Business Reporting (September 2014). The Board recognises that such a system has its limitations in that risk management requires independent judgment on the part of directors and executive management. Internal controls are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

In accordance with its regulatory obligations, the Board, with the assistance of the Audit Committee, carried out an annual assessment of the effectiveness of the Group's risk management and internal control system during the reporting period. During the course of its review, the Board did not identify or hear of any failings or weaknesses that it determined to be significant and it therefore concluded that they are operating effectively.

## RELATIONS WITH SHAREHOLDERS

### Investor meetings held in FY18

|                         | United Kingdom | Continental Europe | North America | Total |
|-------------------------|----------------|--------------------|---------------|-------|
| Executive Management    | 68             | 10                 | 35            | 113   |
| Investor Relations team | 99             | 52                 | 40            | 191   |
| Other senior management | 6              | 6                  | 0             | 12    |

#### Conflicts of interest

Procedures are in place for the disclosure by directors of any interest that conflicts, or possibly may conflict, with the Company's interests and for the appropriate authorisation to be sought if a conflict arises, in accordance with the Company's Articles of Association.

In deciding whether to authorise a conflict or potential conflict of interest only those directors that have no interest in the matter under consideration will be able to take the relevant decision; in taking such a decision the directors must act in a way they consider, in good faith, will be most likely to promote the success of the Company and may impose such limits or conditions as they think fit. The Board has reviewed the procedures in place and considers that they continue to operate effectively. There were no actual or potential conflicts of interest which were required to be authorised by the Board during the year under review or to the date of this report.

#### Engagement with investors

Responsibility for shareholder relations rests with the Chairman, Chief Executive and Group Finance Director. They ensure that there is effective communication with shareholders on matters such as governance, sustainability and strategy, and are responsible for ensuring that the Board understands the views of major shareholders on such matters.

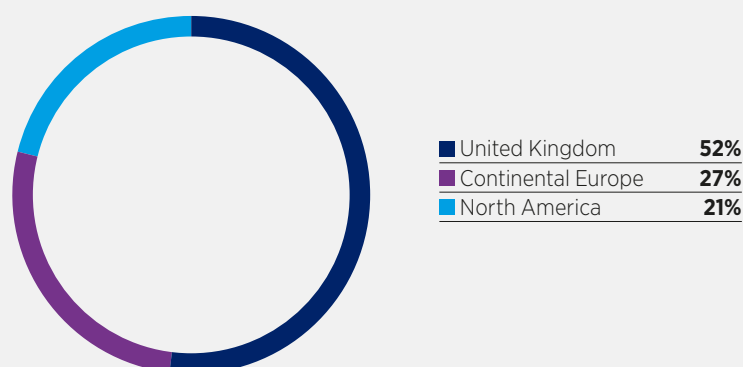
The Company's investor relations programme is supported by a dedicated Investor Relations team which acts as the primary point of contact with the investor community and is responsible for managing ongoing relations with investors and shareholders. The Board receives regular reports from the Investor Relations team. Feedback from meetings held between executive management, or the Investor Relations team, and institutional shareholders is also reported to the Board.

As a part of a comprehensive investor relations programme, formal meetings are scheduled with investors and analysts to discuss the Group's half- and full-year results. In the intervening periods, Hays continues its dialogue with the investor community by meeting key investor representatives, holding investor roadshows and participating in conferences. Meetings with debt providers, principally the Company's banks, also take place on a regular basis.

During the year, the executive directors and senior management met with approximately 100 individual institutions around the world, interacting with shareholders and potential shareholders. In addition, approximately 30 institutions attended our Investor Day, which was held in London in November 2017.

Presentations to analysts are posted on the Company's website at [haysplc.com](http://haysplc.com). If you would like to know more about our relations with shareholders please contact [ir@hays.com](mailto:ir@hays.com).

#### Geographical breakdown of investors met



#### Annual General Meeting

The Board uses the Company's AGM to communicate with investors and welcomes their participation. All shareholders are entitled to attend the AGM, at which the Board members are present. The Board views the AGM as a good opportunity to meet with its smaller, private shareholders. A summary presentation of results is given by the Chief Executive before the formal business of the meeting is conducted. All shareholders present can question the Chairman, the Chairmen of the Committees and the rest of the Board both during the meeting and informally afterwards.

The Notice of AGM and related papers are sent to shareholders at least 20 working days before the meeting. Voting on all resolutions at the AGM is by means of a poll, which, reflecting the number of voting rights exercisable by each member, is considered by the Board to be a more democratic method of voting. As soon as practicable following the conclusion of the AGM, the proxy votes cast, including details of votes withheld, are announced to the London Stock Exchange via the Regulatory News Service and published on our website.

## EFFECTIVENESS

### NOMINATION COMMITTEE REPORT

#### Dear Shareholder

As noted in my introduction to the Corporate Governance section of this Annual Report, I have only served in the role of Nomination Committee Chairman since July 2018, following the untimely passing of Alan Thomson. However, as a member of this Committee for the majority of the period under review, I can provide an overview of the work we have undertaken.

Succession planning remains a key area of focus for the Committee across the executive and non-executive spectrum. This was further supported by this year's Board and Committee evaluation review.

The landscape in which we find ourselves operating continues to evolve and change, and we hear with ever-increasing frequency of the percentage of jobs in the

future that don't even exist today and how the world of work is becoming more and more disintermediated. As a recruitment organisation this is all very interesting and relevant, but it also influences the profile of individuals one needs at the top of, and near the top of, an organisation to ensure it remains relevant and 'ahead of the curve'. These factors have all been feeding into the deliberations of the Nomination Committee and will continue to do so, notwithstanding the myriad of other factors that also have to be taken into account in making the best appointments for the continued success of the Company.

**Andrew Martin**  
Nomination Committee Chairman  
29 August 2018



"Succession planning remains a key area of focus across the executive and non-executive spectrum."

**Andrew Martin**  
Chairman of the  
Nomination Committee

#### Role of the Nomination Committee

The role of the Committee is summarised below and detailed in full in its terms of reference, a copy of which is available on the Company's website (haysplc.com) under Corporate Governance.

The main responsibilities of the Committee are to:

- Review the structure, size and composition (including skills, knowledge, experience, diversity and balance of executive and non-executive directors) of the Board and its Committees and make recommendations to the Board with regard to any changes;

- Consider succession planning for directors and other senior executives;
- Identify and nominate for the approval of the Board, candidates to fill Board vacancies; and
- Keep under review the time commitment expected from the Chairman and the non-executive directors.

#### Membership and meetings

The Committee is appointed by the Board. It is chaired by the Chairman of the Board and comprises the non-executive directors, all of whom are independent, save for the Chairman who was independent on appointment. The names and qualifications of the Committee's current members are set out in the directors' biographies on pages 52 and 53.

The Committee meets as required and did so on two occasions during the year and attendance by members can be seen on page 57. Other regular attendees at Committee meetings include the Company Secretary and, on invitation, the Chief Executive and Group Finance Director.

#### Main Committee activities during the financial year

- Considered Board succession plans
- Reviewed the composition of the Board and its Committees
- Reviewed the Committee's terms of reference
- Considered, and recommended to the Board, the appointment of two non-executive directors
- Considered and recommended the election and re-election of each director, as appropriate, at the AGM

### Non-executive director appointment process

The Company adopts a formal, rigorous and transparent procedure for the appointment of new directors and senior executives with due regard to diversity. Prior to making an appointment, the Committee will evaluate the balance of skills, knowledge, experience and diversity on the Board and, in light of this evaluation, will prepare a description of the role and capabilities required, with a view to appointing the best-placed individual for the role. In identifying suitable candidates, the Committee uses open advertising or the services of external advisers to facilitate the search and considers candidates on merit and against objective criteria and ensuring that appointees have sufficient time to devote to the position, in light of other significant commitments, and no conflicts of interest.

A long-list of potential candidates would be drawn up, from which an appropriate number would be shortlisted for interview based upon their fulfilment of the appointment criteria. The Committee would then recommend to the Board the appointment of the preferred candidate (or candidates, if there is more than one considered suitable) for subsequent appointment.

The Zygos Partnership were utilised in respect of Andrew Martin and Susan Murray's appointments which occurred in the year under review, however their input was concluded prior to the year end.

In the year ahead, the Committee will continue to assess the Board's composition and how it may be enhanced and will consider diversity (including, but not limited to, gender and experience) and geographic representation and continue to use independent consultants as appropriate to ensure a broad search for suitable candidates. Specifically, the Board is seeking to recruit a replacement for Victoria Jarman, who steps down at the 2018 AGM, and also an additional non-executive director to restore its number following the passing of Alan Thomson in July 2018.

The Committee considered the appointment of Andrew Martin to the role of Chairman subsequent to the end of the year under review and recommended him for appointment by the Board, which was duly undertaken (on a permanent basis) in August 2018. An external search consultancy was not engaged, nor external advertising undertaken, for the role of Chairman, as Andrew's suitability as successor to the role of Chairman had been fully considered as part of his recruitment in 2017.

Board composition is routinely reviewed to ensure that the balance of skills, knowledge and experience of the Hays Board remains appropriate to its business.

Hays' Group policy is to hire the best candidates for all positions at all levels throughout the business, irrespective of gender, including candidates at Board level.

The Board has not set any specific aspirations in respect of gender diversity at Board level and supports fully the Code principles in respect of diversity. However, the Board is of the view that diversity is less about quotas, and recognises the benefits of diversity, of which gender is one aspect, and it will continue to ensure that this is taken into account when considering any particular appointment, whilst ensuring appointments are made on merit and ability to enhance the performance of the business.

### Succession planning

A key task of the Committee is to keep under review the Company's succession plans for members of the Board over the short, medium and longer term, to ensure the Board remains appropriately balanced between new and innovative thinking and longer-term stability.

Board appointment criteria are considered automatically as part of the Committee's approach on succession planning. The Committee believes that limited tenure and the subsequent enforced retirement of directors is not always appropriate for sound business leadership. Accordingly, matters of director tenure are viewed on a case-by-case basis.

The Board believes that refreshment of the Board should take into account the need to consider diversity in all forms.

### Tenure of non-executive directors

Appointments to the Board are made for initial terms not exceeding three years and are ordinarily limited to three such terms in office. Each director stands for re-election annually.

### Director performance

Having reviewed the independence and contribution of directors, the Committee confirms that the performance of each of the directors standing for re-election at the 2018 AGM continues to be effective and demonstrates commitment to their roles, including independence of judgment, commitment of time for Board and Committee meetings and any other duties.

Accordingly, the Committee has recommended to the Board that all current directors of the Company, with the exception of Victoria Jarman, be proposed for re-election at the forthcoming AGM.

## EFFECTIVENESS

### NOMINATION COMMITTEE REPORT

#### Board induction and development

On appointment, each director takes part in a tailored and comprehensive induction programme which is designed to give him or her a deep understanding of the Company's business, governance and stakeholders.

Elements of the programme include:

- Senior management briefings to provide a business overview, current trading conditions and strategic commercial issues;
- Meetings with the Company's key advisers and major shareholders, where necessary;
- Business site visits across regions;
- A legal and regulatory briefing on the duties of directors of listed companies;
- Details of the Group corporate structure, Board and Committee structures and arrangements, and key policies and procedures; and
- The latest statutory financial reports and management accounts.

The Chairman, in conjunction with the Company Secretary, ensures that directors are provided with updates on changes in the legal and regulatory environment in which the Company operates. These are incorporated into the annual agenda of the Board's activities along with wider business and industry updates; the Chairman also keeps under review the individual training needs of Board members. The Company's principal external advisers provide updates to the Board, at least annually, on the latest developments in their respective fields, and relevant update sessions are included in the Board's strategy meetings. The Company Secretary presents corporate governance reports to the Board as appropriate, together with any relevant technical directives issued by the Company's auditor. In this way, each director keeps their skills and knowledge current so they remain competent in fulfilling their role both on the Board and on any Committee of which they are a member.

#### Board evaluation

During the 2018 financial year the Board assessed its own effectiveness through an internal Board evaluation process. The 2018 evaluation was facilitated by the Chairman. Directors completed an evaluation questionnaire.

The questionnaire covered a broad base of subject matter in order to assess effectiveness, such as the conduct of Board meetings and their administration; risk; strategy; culture; stakeholder interests and corporate purpose; Board composition and member performance; and the broader challenges faced by the Board and how those are managed. Committee effectiveness was also assessed separately.

Results were presented to the Board and minor areas for improved operation identified and agreed; these included longer-term succession planning and issues around cyber awareness and planning. There was general agreement that, overall, the Board and its Committees continued to operate effectively throughout the period and that its operation, and that of the Committees, had improved over the course of the year.

In addition to the Board and Committee evaluation, the Chairman evaluated the individual performance and effectiveness of each director. The Senior Independent Director led a separate appraisal of the Chairman's performance with his fellow non-executive directors, which took into consideration both the executive and non-executive directors' views. Good progress against the action points identified in the 2017 Board evaluation has been made during the year.

An external Board evaluation will be undertaken in 2019.

## ACCOUNTABILITY

### AUDIT COMMITTEE REPORT



"We continue to operate in a world threatened with cyber security risk."

**Victoria Jarman**  
Chairman of the  
Audit Committee

#### Dear Shareholder

I am pleased to present to you the Audit Committee report prepared in accordance with the 2016 edition of the Code. This is my last year of chairing the Audit Committee as I will be stepping down from the Board at the conclusion of the Annual General Meeting in November 2018.

Before I discuss the Committee's activities, I would like to take a moment to pay my respects to Alan Thomson, following his sad passing in July of this year. Alan recruited me to the Board in the year following his own appointment; he was immensely supportive to me throughout my tenure and his guidance was invaluable. He is greatly missed.

The Audit Committee supervises the Company's financial reporting process on behalf of the Board of Directors. The Committee also reviewed reports of the internal audit function to ensure adequacy of our systems of internal control and risk management.

The Committee also supported the directors in their assessment of the long-term viability of the Company for the purposes of the Code which is set out in the strategic report on page 37.

We continue to operate in a world under threat from cyber security risk, which is a significant threat to the way we operate our day-to-day business and, therefore, how we deliver services to our clients. As a consequence of this, the Audit Committee receives regular and detailed reports on our preparedness for when, not if, we face an attack.

I was particularly heartened by the experience of the cyber-simulation data breach exercise conducted during the year, which stress-tested people and systems within the business. I look forward to the learnings being rolled out to further enhance our resilience.

I can assure you that Hays will never be complacent in this space and we always work to be as best-prepared as we can in the fast moving environment of cyber security.

You will find on the following pages further detail on the Committee's activities during the year under review, which include discharging its financial reporting, internal control and risk management responsibilities, supporting the Board in ensuring the Annual Report, as a whole, is fair, balanced and understandable, and consideration of, amongst other matters, audit effectiveness (both internal and external), non-audit services policy and the Group's whistleblowing policy and procedures. I hope this will provide shareholders with the necessary information for them to assess the Company's performance, business model and strategy.

**Victoria Jarman**  
Audit Committee Chairman  
29 August 2018

#### Role of the Audit Committee

The Committee's terms of reference are available on the Company's website ([haysplc.com](http://haysplc.com)) under Corporate Governance.

The key responsibilities of the Committee are to:

- Monitor the integrity of the financial statements of the Company, including annual and half-year reports, interim management statements, and other formal announcements relating to its financial performance, and reviewing and reporting to the Board on significant financial reporting issues and judgments;
- Where requested by the Board, review the content of the Annual Report and advise the Board whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- Recommend to the Board for approval by shareholders, the appointment, reappointment or removal of the external Auditor;
- Monitor the relationship with the Company's external Auditor, including consideration of fees, audit scope and terms of engagement;
- Review the effectiveness and objectivity of the external audit and the Auditor's independence;
- On engagement of the external Auditor, review the policy for the provision of non-audit services and monitor compliance;
- Monitor and review the Company's internal control and risk management systems;
- Monitor and review the effectiveness of the Company's Internal Audit function; and
- Ensure compliance with laws, regulations, ethical and other issues, including that the Company maintains suitable arrangements for employees to raise concerns in confidence.

### Membership and meetings

The Committee is appointed by the Board from its independent non-executive directors.

Biographies of the Committee's current members are set out on pages 52 and 53.

The Chairman of the Committee, Victoria Jarman, is a Chartered Accountant and its financial expert, who also chaired the Audit Committee of Equiniti Group plc. All Committee members are financially literate.

The Committee discharges its responsibilities through a series of scheduled meetings during the year, the agenda of which is linked

to events in the financial calendar of the Company. The Committee met four times during the financial year and attendance by members at Committee meetings, can be seen on page 57.

The Committee commissions reports, either from external advisers, the Head of Internal Audit or Group management, as required, to enable it to discharge its duties. The Group Finance Director attends its meetings, as do the external Auditor and the Head of Internal Audit, both of whom have the opportunity to meet privately with the Committee Chairman, in the absence of Group management. The Chairman of the Board and the Chief Executive are also invited to, and regularly attend, Committee meetings.

### Main Committee activities during the financial year

- Approved the annual Committee programme
- Reviewed financial results for publication
- Considered the external audit plan and reviewed the results of the audit
- Approved the internal audit plan and reviewed its findings
- Reviewed the non-audit services provided by the external auditor
- Reviewed the risk management and controls framework and its effectiveness, together with the Group's principal risks
- Considered all aspects of IT operations and risks
- Considered the growing threat of cyber-related attacks and associated responses across the business
- Reviewed the performance and effectiveness of the external Auditor
- Reviewed the performance and effectiveness of the Internal Audit function
- Reviewed the Group's whistleblowing arrangements
- Carried out a review of the Committee's effectiveness and reviewed progress on matters arising from previous assessments
- Considered the Code requirements concerning fair, balanced and understandable reporting
- Considered the Company's long-term viability
- Recommended the Audit Committee Report for approval by the Board
- Held discussions with the external Auditor and the Head of Internal Audit without management being present

### Fair, balanced and understandable

In addition to its work described here, the Committee has reviewed the financial and narrative disclosures in this year's Annual Report. It has advised the Board that, in its view, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

In making its recommendation to the Board, the Committee's robust governance approach included:

- Comprehensive Group and subsidiary accounts process, with written confirmations provided by the regional senior management teams on the health of the financial control environment;
- Reviews of the Annual Report undertaken at different levels of the Group and by the senior management team that aim to ensure consistency and overall balance;

- External audit review;
- Clear guidance and instruction of the requirement provided to contributors;
- Written confirmation that information provided has been done so on a fair and balanced basis;
- Additional scrutiny by senior management; and
- Additional reviews by the Committee Chairman of the draft Annual Report in advance of the final sign-off in the context of the revised Code provision.

Final sign-off is provided by the Board, on the recommendation of the Committee.

### Significant issues considered during the year

In reviewing both the half and full-year financial statements, the following issues of significance were considered by the Committee and addressed as described. These matters are described in more detail in note 3 to the Consolidated Financial Statements.

#### Debtor and accrued income recoverability

The recoverability of trade debtors, accrued income and the level of provisions for bad debt are considered to be areas of significant judgment due to the pervasive nature of these balances to the financial statements and the importance of cash collection in the working capital management of the business. The Committee considered the level and ageing of debtors and accrued income, together with the appropriateness of provisioning, by reviewing previous experience of bad debt exposure and the consistency of judgments made year-on-year. The Committee was satisfied that the level of provision and the carrying value of debtors and accrued income is appropriate.

#### Revenue recognition

The main areas of judgment in revenue recognition relate to (i) cut-off as we recognise permanent placement income on the day a candidate starts work, and temporary placement income over the duration of the placement; and (ii) the recognition of temporary contractual arrangements where we act as principal on a gross basis rather than net basis. The Committee discussed and reviewed these areas with both management and PwC and remains satisfied that Group accounting policies with regard to revenue recognition have been adhered to and that judgments made remain appropriate.

#### Goodwill

The Committee assessed the carrying value of goodwill by reviewing a report by management which set out the values attributable across the cash-generating units (CGU), compiled using projected cash flows based on assumptions related to discount rates and future growth rates. The Committee also considered the work undertaken by PwC and management's sensitivity analysis on key assumptions. After discussion, the Committee was satisfied that the assumptions used were appropriate.

#### Pension accounting

Pension accounting is complex and contains areas of significant judgment, most notably those in respect of the discount and inflation rates used in the valuation of the net surplus disclosed in note 22. The Committee reviewed the pension items by discussing a report prepared by management based on work performed by the Company's actuary which set the key assumptions used in the calculation of the surplus and related income statement items. The Committee also considered the work performed by PwC in testing the assumptions and was satisfied that the assumptions used and the disclosures in the financial statements are appropriate.

### External Auditor

Both the Committee and the Board keep the external Auditor's independence and objectivity under close scrutiny, particularly with regard to its reporting to shareholders. PwC were appointed external Auditor of the Group at the 2016 AGM. Professional rules require that the Company's audit partner at PwC be rotated every five years.

As previously reported, following a detailed tender process, PricewaterhouseCoopers LLP was first appointed as the Company's external auditor in 2016. While the Company has no current retendering plans, in accordance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (CMA Order) the Company will be required to put the external audit contract out to tender by 2026. Accordingly, the Company confirms that it has complied with the provisions of the CMA Order for the 2018 financial year.

#### Auditor Independence and Non-Audit Services Policy

The Committee believes that the issue of non-audit services to Hays is closely related to external Auditor independence and objectivity. The Committee recognises that the independence of the external Auditor may reasonably be expected to be compromised if they also act as the Company's consultants and advisers. Having said that, the Committee accepts that certain work of a non-audit nature is best undertaken by the external Auditor. To keep a check on this, the Committee has adopted a policy to ensure that the provision of any non-audit services by its external Auditor does not impair its independence or objectivity.

The key features of the non-audit services policy are as follows:

- The provision of non-audit services provided by the Company's external Auditor be limited to a value of 70% of the average audit fees over a three-year period;
- Any non-audit project work which could impair the objectivity or independence of the external Auditor may not be awarded to the external Auditor;
- Delegated authority by the Committee for the approval of non-audit services by the external Auditor is as follows:

| Authoriser                 | Value of services per non-audit project |
|----------------------------|---|
| Group Financial Controller | Up to £25,000                           |
| Group Finance Director     | Up to £100,000                          |
| Audit Committee            | Above £100,000                          |

- The above authority levels were reviewed by the Committee during the year, as a result of which the authority of the Group Finance Director reduced from £150,000; and
- The three-year average audit fee was £1.0 million. Accordingly, the maximum value of non-audit services that PwC could have been engaged by Hays to provide during the financial year 2018 was £0.7 million. The total fee for non-audit services provided by PwC during the 2018 financial year was £0.44 million (2017: £0.6 million), excluding the FY18 half-year review fee of

£0.1 million (2017: £0.1 million). The main component of the non-audit services was a change management programme in Germany which was underway prior to the external audit tender, where PwC provided project management and communication support for the project. PwC's involvement in the project ceased in September 2017.

The Company did not pay any non-audit fees to PwC on a contingent basis. A summary of the fees paid to the external Auditor is set out in note 6 to the Consolidated Financial Statements.

Having reviewed Hays' non-audit services policy this year, including the Authority level of the Group Finance Director, the Committee is satisfied that adequate procedures are in place to safeguard the external Auditor's objectivity and independence.

#### **Effectiveness of the external Auditor**

The annual effectiveness review in respect of financial year 2017 was conducted during the year under the guidance of the Committee Chairman, on behalf of the Committee, and covered amongst other things a review of the audit partners, audit resource, planning and execution, Committee support and communications, and PwC's independence and objectivity. Overall feedback was positive with resulting improvements, which were largely country-specific, discussed and implemented. Based on these reviews, the Committee was satisfied with the performance of PwC in the fulfilment of its obligations as external Auditor and of the effectiveness of the audit process in FY17. Consequently, the Committee has recommended to the Board that they be reappointed as external Auditor at the AGM in November 2018.

#### **Risk management and internal control**

The Board is responsible for the adequacy and effectiveness of the Group's internal control system and risk management framework, which in order to fulfil its responsibilities the Board has delegated authority to the Committee.

In order to establish an assessment from both a financial and operational control perspective, the Committee looks to the work of the Internal Audit function, specifically to consider whether significant process and control weaknesses are identified, improved and monitored and that risks have been identified, evaluated and managed.

The Committee considered the Group's risk assessment process, which included coverage across the regions, businesses and functions within the Group, reviewing the effectiveness of the risk methodology employed, the risk mitigation measures implemented and future risk management and monitoring.

#### **Internal Audit**

The Committee oversees and monitors the work of the Internal Audit function, which reviews key controls and processes throughout the Group on a rolling basis, including resources, scope and effectiveness of the function.

The Group Head of Internal Audit has direct access to the Committee and meets regularly with both the Committee and its Chairman, without the presence of management, to consider the work of Internal Audit.

The Committee approved the programme of work for the Internal Audit function in respect of the 2018 financial year, which was focused on addressing both financial and overall risk management objectives across the Group.

During the year, 29 Internal Audit reviews were undertaken, with the findings reported to both the Management Board and the Committee, with recommendations tracked and progress subsequently reported back to the Committee.

No material weaknesses were identified as a result of risk management and internal control reviews undertaken by Internal Audit during the reporting period.

The Committee believes that the Group's enterprise risk management framework needs to continue to evolve in accordance with the growth of the Hays business around the world. Throughout the financial year the Internal Audit team has continued to enhance the enterprise risk management framework and work with the Group Finance Director and the operating companies across the globe to further embed the framework methodology at a local level. The Group Risk Committee, chaired by the Group Finance Director and comprising senior operators from each region, together with representation from IT and finance, assists in the management of risk in the Group. In addition, a Chief Risk Officer has been appointed who will further strengthen the Group's risk management framework.

#### **Raising concerns at work**

The whistleblowing procedure in place across the Group ensures that employees are able to raise any concerns about any possible improprieties in business practices, or other matters, in confidence; this is managed and reported through an independent external third party. Reports made in good faith are done so without fear of recrimination, and calls cannot be traced and are not recorded. Reports can be made in over 100 languages.

The disclosures under this arrangement are investigated promptly by the Company Secretary, with the support of Internal Audit, and escalated to the Management Board and the Committee as appropriate, with follow-up action being taken as soon as practicable thereafter.

The Committee, as part of its overall review of the Group's system of internal control, reviewed the procedures in place during the reporting period and is satisfied that they are appropriate to the size and scale of the Group.

**Anti-bribery and corruption**

Hays has a zero-tolerance approach to bribery and corruption. The Group Anti-Bribery and Corruption Policy (with specific reference to the UK Bribery Act 2010) is issued to all employees. Overall responsibility for, and oversight of, the Policy lies with the plc Board. Training is provided to all employees annually in local languages and ongoing support is provided when and where necessary. In addition, risk assessments are carried out on an ad hoc basis, for example when new countries are under consideration (whether they are considered to be low or high risk) or prior to entry into new public sector markets. The Committee reviewed the effectiveness of the Policy during the year and concluded that it was sufficient for managing the anti-bribery and corruption risks faced by the Group.

**Audit Committee effectiveness**

The Committee considered its effectiveness in discharging its duties during the year. The Committee looked at the work it had carried out during the year and considered that its performance during the year was effective when measured against its terms of reference and general audit committee best practice. Details of the main activities of the Committee and its role and responsibilities have been detailed earlier in this Report.

The Chairman of the Committee will be available at this year's AGM to answer any questions on the work of the Committee.

# REMUNERATION REPORT

## CHAIR'S ANNUAL STATEMENT AND SUMMARY

### Dear Shareholder

I am pleased to introduce our Directors' Remuneration Report for 2018. This is my first report as the new Remuneration Committee Chair and I would like to take this opportunity to thank the previous Chair, Paul Harrison, for his valuable contribution to the Remuneration Committee during his tenure.

I would also like to express my personal sorrow at the passing of our Chairman Alan Thomson. While I had only known Alan for a short period of time since I joined the Board, he had given sound counsel to the Remuneration Committee over many years and he will be much missed.

### Our Remuneration Policy received positive support from shareholders

Following a detailed review of our Remuneration Policy during 2017 and consultation with our shareholders, we made some modest adjustments to our incentive plans while ensuring that the overall quantum remained the same. These changes were made to ensure that our reward structure complements our future strategy and looks to the long-term sustainability of our business.

We were pleased that our Remuneration Policy had positive support from our shareholders and received a favourable vote of 94% at the November 2017 AGM.

The Policy has operated during FY18. The Committee believes in maintaining consistency and therefore it is the Committee's expectation that it will continue to operate the Policy until the next review in 2020. There are therefore no changes to our Policy for FY19.

### Our FY18 Business Review

2018 has been another strong year for Hays. With our markets outside of the UK being supportive, management invested to drive growth of 12% in net fees and, through effective operational management, delivered strong operating profit leverage with profits up 15%. This was especially the case in our international business which delivered a record level of profits. Importantly, it was also clear that management made significant investments for the long-term future of the business, rather than being solely focused on the short-term.

In addition to a strong profit performance, Hays also delivered a strong cash performance and this, allied to earnings growth with EPS up 18%, has meant that the Group is proposing a record level of dividends for the year, which is to the clear benefit of our shareholders.

This is the fifth year in a row that Hays has delivered a strong profit and cash performance and the results again beat market expectations. These results, both over the year and over the last three years, have directly contributed to the reward outcomes for the executive directors, both in the annual and long-term incentives, as is covered below.

### Our executive reward for FY2018 reflects these results and links pay to performance

#### Annual Bonus

Annual Bonus awards reflected the FY18 performance and were 96.55% of the maximum award (144.83% of base salary) for the CEO and CFO. 50% of each award will be deferred into shares for three years.

#### 2015 Performance Share Plan ("PSP")

The 2015 PSP (awarded under the legacy Policy approved in 2014) vested at 58.62% reflecting the three-year performance period that ended on 30 June 2018.

Full details of the executive directors' remuneration for FY18 can be found in the Single Figure on page 74 and the full Annual Report on Remuneration on pages 74 to 94.

The Committee takes very seriously its duty to exercise judgment and ensure outcomes are reflective of the Company's underlying performance and shareholder experience.

The Committee is satisfied that the incentive outcomes fairly reflect and align with the performance achieved.

### Remuneration for FY19

The executive directors received base salary increases of 2.0% effective from 1 July 2018. This was in line with the average pay increase for other relevant UK employees.

In line with the Policy approved in November 2017, for FY19 we intend to grant 150% of base salary in shares under the Performance Share Plan ("PSP"), the vesting of which will depend on the outcome of performance metrics at the end of the three year performance period. In line with the Policy, to the extent that performance conditions are met, any shares will be held for a further period of two years.



"We consistently focus on ensuring reward is closely aligned to strong performance"

**Susan Murray**  
Chair of the  
Remuneration  
Committee

## Other Committee activities in FY18

### Regular Agenda Items

Our key regular agenda items include reviewing the basic pay, bonus and PSP awards for the executive directors and other senior executives. The Committee ensures that their targets and objectives are suitably stretching, taking into consideration external consensus views. In addition, they include the principal Company financial performance indicators together with longer-term strategic initiatives as well as taking into account Group risk. We also consider the relationship between executive reward and the reward structures in place for other Group employees. The Committee is always mindful of the need to link reward to performance and that it does not reward for failure.

### Gender Pay Gap Reporting

During FY18, the Committee reviewed and had oversight of the new Gender Pay Gap reporting requirements.

The Board believes that a diverse workforce and inclusive culture are essential to business success and Hays supports and values diversity in all forms, not just gender. Internally, Hays fosters a meritocratic culture in which everyone has the opportunity to fulfil their career ambitions.

We therefore welcome the discussion on the Gender Pay Gap which seeks to ensure that job opportunities at all levels are open and available to everyone. Hays is committed to being transparent in its reporting and about the steps it is taking to ensure that both women and men have the same career support and development and are able to reach their full potential. To this end, we not only published the mandatory figures under the Regulations that amalgamated our PAYE temporary employees with our own employees, but chose to show the gender pay gap for our own workforce separately. Full details can be found in our Gender Pay Gap Report on our website [haysplc.com](https://haysplc.com).

The Committee has incorporated ongoing oversight of the Gender Pay Gap figures into its Terms of Reference on a formal basis and will continue to review the results and actions being taken by the Company to foster diversity and inclusion as well as those being taken to close the Gender Pay Gap.

## Changes to the UK Corporate Governance Code and other regulatory governance

The Committee is mindful of the future changes to the UK Corporate Governance Code and the new reporting legislation which includes wider consultation with employees and CEO to employee pay ratios. For Hays, these new requirements will not come into effect until 1 July 2019 and therefore further detail will be provided in next year's report.

The Committee embraces any debate or change that ensures good governance and fairness in relation to reward issues. The Committee is giving appropriate consideration on how best to approach these issues in order to achieve maximum benefit and impact and will determine its actions during FY19 now that the final regulations and guidance are in place.

### We aim to be clear, concise and straightforward in our reporting

We aim to make the Directors' Remuneration Report clear, concise and easy to follow.

To help with understanding the FY18 remuneration outcomes in relation to our Policy, we have included a Remuneration At A Glance page.

Our full Remuneration Policy as approved by shareholders can be found on our Company website [haysplc.com](https://haysplc.com). However, to help with understanding, we have also summarised the Policy above each remuneration outcome and also made it clear whether any element relates to the legacy Policy approved in 2014.

An overall summary of our Policy and how it relates to our strategy is set out on page 72.

We hope that readers will find this helpful.

We trust that this report demonstrates how we balance performance, reward and underlying associated behaviours and that we place great importance on our duty not only to shareholders but to our wider workforce.

### Susan Murray

Chair of the Remuneration Committee

29 August 2018

See the Committee's Terms of Reference online at [haysplc.com](https://haysplc.com)

## CHAIRMAN'S ANNUAL STATEMENT AND SUMMARY CONTINUED

### Membership and meetings

Four formal meetings were held during FY18 in July 2017, August 2017, January 2018 and May 2018.

Attendance is shown on page 57. In addition, members participated in other discussions as required.

### This report is structured as follows:

| Section   | What it includes   |
|---|--|
| <b>Letter from the Remuneration Committee Chairman</b><br>Page 68             |  |
| <b>Remuneration At A Glance</b><br>Page 71                                    |  |
| <b>Summary of our Remuneration Policy and its link to strategy</b><br>Page 72 |  |
| <b>Annual Report on Remuneration</b><br>Page 74                               | <p>This report is divided into sections:</p> <ol style="list-style-type: none"> <li>1. Single Figure of Remuneration – page 74</li> <li>2. Long-term value creation – page 83</li> <li>3. Remuneration in the broader context – page 88</li> <li>4. Statement of Implementation of the Remuneration Policy in the following financial year – page 91</li> <li>5. Governance – page 93</li> </ol> |
| <b>Our full current Remuneration Policy</b>                                   | Our full current Remuneration Policy as applicable to FY18 can be found on our website at <a href="http://haysplc.com">haysplc.com</a>   |

## REMUNERATION AT A GLANCE

### Summary of our current Remuneration Policy and Structure for FY18

| Key Reward component  | Key features   |
|---|--|
| <b>Base Salary and Core benefits</b>  | <ul style="list-style-type: none"> <li>Competitive salary and benefits to attract right calibre of executive</li> </ul>  |
| <b>Annual Bonus</b> <ul style="list-style-type: none"> <li>60% EPS</li> <li>20% Cash Conversion</li> <li>20% Personal</li> </ul>      | <ul style="list-style-type: none"> <li>Max potential 150% of salary</li> <li>Key financial KPIs and personal objectives</li> </ul>   |
| <b>Performance Share Plan</b> <ul style="list-style-type: none"> <li>30% EPS</li> <li>50% Cash Conversion</li> <li>20% TSR</li> </ul> | <ul style="list-style-type: none"> <li>Max potential 150% of salary</li> <li>KPIs focused on long-term sustainability and shareholder returns</li> <li>Five year lifespan: 3 year Performance Period plus 2 year Holding Period</li> </ul> |
| <b>Shareholding Requirements</b>  | <ul style="list-style-type: none"> <li>CEO: 200% of salary</li> <li>CFO: 200% of salary</li> <li>Ensure material personal stake in the business</li> </ul>   |

- Strong link of performance with reward
- Takes into account risk management and Annual Bonus and PSP incorporate Malus and Clawback

### Reward linked to performance – what did we do?

More details [page 74](#)

| Reward Component                     | What we have done  |
|--------------------------------------|--|
| <b>Base salary</b>                   | <ul style="list-style-type: none"> <li>Increased salaries for CEO and CFO by 2.0% from 1 July 2017:</li> <li><b>New salaries</b></li> <li>CEO : £737,950 pa</li> <li>CFO: £532,061 pa</li> <li>Increase in line with budget set for relevant UK employees of 2.0%</li> </ul> |
| <b>Bonus</b>                         | <ul style="list-style-type: none"> <li>CEO: 96.55% of maximum i.e. 144.83% of salary equating to £1,068,780</li> <li>CFO: 96.55% of maximum i.e. 144.83% of salary equating to £770,589</li> <li>50% of the above awards deferred into shares for 3 years</li> </ul>         |
| <b>PSP</b>                           | <ul style="list-style-type: none"> <li>150% of salary to be awarded</li> </ul>   |
| <b>Shareholdings at 30 June 2018</b> | <ul style="list-style-type: none"> <li>CEO: 1,090% of base salary (requirement 200%)</li> <li>CFO: 737% of base salary (requirement 200%)</li> </ul>   |

The Single Figure can be found on [page 74](#)

### How have we performed?

More details [pages 75 and 79](#)

#### Bonus

Metrics measure success of the day-to-day management of a volatile and cyclical business.

| Metric           | Target | Actual         | % of max achieved |
|------------------|--------|----------------|-------------------|
| EPS*             | 10.77p | <b>11.50p</b>  | 100%              |
| Cash Conversion  | 86%    | <b>100.16%</b> | 97.77%            |
| Personal CEO/CFO |        | <b>85%</b>     |                   |

\* Both the target and actual performance were based on budget exchange rates. Therefore actual performance differs to the reported performance due to movements in exchange rates during the year.

### September 2015 PSP award – grant 175% of base salary (under legacy Policy approved in 2014)

Metrics measure success in delivering strong results through the three-year cycle.

| Metric          | Threshold                  | Maximum                            | Actual        | % of max achieved |
|-----------------|----------------------------|------------------------------------|---------------|-------------------|
| EPS             | 25.17p                     | 29.45p                             | <b>29.58p</b> | 100%              |
| Cash Conversion | 71%                        | 101%                               | <b>91.95%</b> | 75.86%            |
| Relative TSR    | Median of comparator group | Upper quartile of comparator group | <b>23.95%</b> | 0%                |

Total % of award vesting: 58.62%

#### Key general business highlights

- Like-for-like net fee growth of 12%
- Operating profit up 15% with record international performance
- Performance ahead of Board and market expectations
- Strong cash performance

### What changes have we proposed to the Remuneration Policy for FY19?

More details [page 91](#)

- There are **no changes** to our Remuneration Policy.
- We received a binding vote of 94% in favour of the Policy at the November 2017 AGM indicating strong support for our approach.
- Our full Remuneration Policy can be found on pages 64 to 71 of the FY17 Annual Report and on our website [haysplc.com](http://haysplc.com)
- A summary of the Policy can be found on pages 72 to 73 of this report and in the explanation of the Single Figure of Remuneration on pages 74 to 82.

## REMUNERATION POLICY AND HOW IT LINKS TO STRATEGIC OBJECTIVES

**Competitive salary and benefits to attract, motivate and retain executives plus variable pay that aligns to strategy and focuses on performance**

The incentive plans support our four key strategic priorities:



Materially increase and diversify Group profits;



Generate, reinvest and distribute meaningful cash returns;



Invest in people and technology, responding to change and building relationships; and



Build critical mass and diversity across our global platforms.

- EPS target provides focus on profit.
- Cash Conversion maintains focus on cash returns and business efficiency.
- Personal objectives provide building blocks to longer-term strategic goals.
- 50% of any award is deferred into shares for three years to ensure a long-term focus.
- Malus and Clawback apply.

**SHORT-TERM AGILITY**

### Annual Bonus

EPS  
60%

Cash Conversion  
20%

Personal  
20%

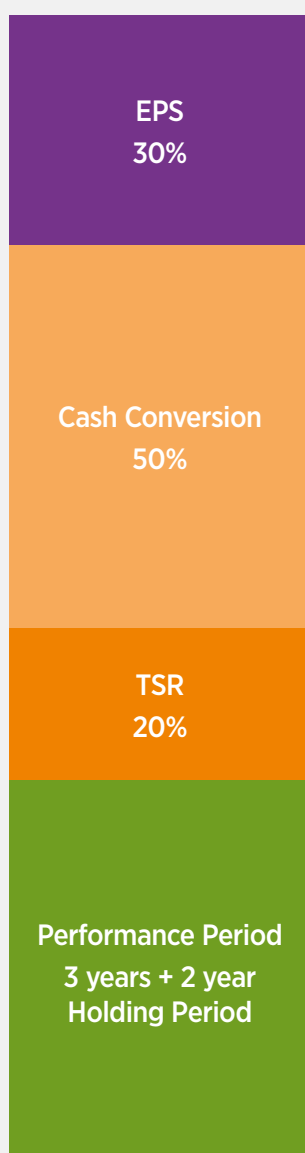
Performance Period  
1 year  
50% deferred  
into shares

150% of  
base salary

Balanced

Shareholding 200%

## PSP



weighting

of base salary

### Hays is a highly cyclical business and has built a diversified portfolio designed to try and mitigate this by:

- Balancing the business between permanent and temporary/contractor candidate placements;
- Having a wide range of business specialisms covering 20 professional sectors; and
- Having a global geographic footprint in 33 countries.

Nevertheless, the Company is subject to the volatility and vagaries of the economic markets which can create sudden changes within the recruitment market and industry. In this environment, where it is extremely difficult to give an accurate, robust, long-term prediction of the economy, the Committee believes it is important that the executives' reward is consistent with the need to be agile in managing the business. The Committee feels this is best addressed by having a short-term focus on profit and a long-term focus on cash generation.

- The following factors are taken into account when setting EPS targets:
  - Budget (the setting of which is a robust and transparent process;
  - Strategic direction of the business over the period covered by the PSP;
  - Market conditions and visibility of future trading; and
  - Analysts' forecasts.
- The cash element focuses on the long-term business efficiency and return to shareholders through dividend payments.
- The TSR element directly measures shareholder returns relative to industry peers.
- The five year term of the plan together with shareholding requirements ensure that the CEO and CFO have a material, personal stake in the business and align to shareholders.
- Malus and Clawback apply.

### LONG-TERM SUSTAINABILITY AND FOCUS

# ANNUAL REPORT ON REMUNERATION

## Section 1 – Total reward for FY18

### In this section:

**1.1** FY18 Single Figure for executive directors

**1.1.1** Salary

**1.1.2** Benefits

**1.1.3** Pension

**1.1.4** Other benefits

**1.1.5** Annual bonus

**1.1.6** PSP

**1.2** FY18 fees for non-executive directors (“NEDs”)

## Section 1 – Total Reward for FY18

Remuneration for FY18 reflects the Policy approved by Shareholders at the 2017 AGM and, in line with that Policy, includes a legacy PSP plan which was granted under the Policy approved at the November 2014 AGM and which vests in FY18.

### 1.1 FY18 Single Figure for executive directors

#### Single Figure of remuneration (audited)

The following table shows the total Single Figure of remuneration for each executive director in respect of qualifying services for the 2018 financial year. Comparative figures for the 2017 financial year have also been provided. Details of non-executive directors’ (“NEDs”) fees are set out in 1.2 on page 82.

| £000s<br>Executive director             | Salary<br>Note 1 | Benefits<br>Note 2 | Pension<br>Note 3 | Other<br>Note 4 | Annual<br>Bonus<br>Note 5 | Total<br>remuneration<br>excluding PSP<br>(a) | PSP<br>Note 6 and (b) | Total<br>remuneration<br>(b) |
|---|------------------|--------------------|-------------------|-----------------|---------------------------|---|-----------------------|------------------------------|
| <b>2018</b>                             |                  |                    |                   |                 |                           |   |                       |                              |
| Alistair Cox<br>Chief Executive         | 738              | 48                 | 221               | 0               | 1,069                     | 2,076   | 896                   | 2,972                        |
| Paul Venables<br>Group Finance Director | 532              | 40                 | 160               | 0               | 771                       | 1,503   | 646                   | 2,149                        |
| <b>2017</b>                             |                  |                    |                   |                 |                           |   |                       |                              |
| Alistair Cox                            | 723              | 48                 | 217               | 3               | 837                       | 1,828   | 1,165                 | 2,993                        |
| Paul Venables                           | 522              | 34                 | 156               | 2               | 603                       | 1,317   | 840                   | 2,157                        |

(a) This column includes Salary, Benefits, Pension, Other and Annual Bonus.

(b) 2017 PSP figures now reflect the actual vesting price on 14 November 2017 of £1.815371 and include the dividend equivalent shares awarded on 15 November 2017.

Due to timing, the FY18 Single Figure includes elements from both the 2014 and 2017 Remuneration Policies. The FY18 Annual Bonus potential falls under the new Policy approved at the November 2017 AGM. However the PSP that was granted in FY15 and vests in FY18 was made under the legacy Policy approved at the November 2014 AGM. The overall total potential face value of the Annual Bonus and PSP under both the 2014 and 2017 Policies is the same at a combined maximum of 300% of base salary. However, due to rebalancing the split between the short and long-term incentives in the 2017 Policy and the overlap of policies in relation to the trailing PSP, it means that for FY18 there is an anomaly in the potential total quantum. This will also occur in FY19.

## Components of the Single Figure and how the calculations are worked

The following tables and commentary explain how the Single Figure has been derived.

### 1.1.1 Salary – note 1 (audited)

#### Policy summary

- Set annually from 1 July.
- Broadly aligned with salary increases for relevant UK employees.

#### What has happened

As disclosed in last year’s Report, salaries were increased by 2.0% with effect from 1 July 2017. This increase was the same as the wider budget set for relevant UK employees.

| Name          | Salary for<br>FY18 | %<br>increase over<br>FY17 | Salary for<br>FY17 |
|---------------|--------------------|----------------------------|--------------------|
| Alistair Cox  | £737,950           | 2.0%                       | £723,480           |
| Paul Venables | £532,061           | 2.0%                       | £521,628           |

### 1.1.2 Benefits – note 2 (audited)

#### Policy summary

- Core benefits align with those for other UK employees.

#### What has happened

There were no changes in FY18.

| £000s<br>Executive director | Private Medical<br>Insurance (PMI) | Life<br>assurance | Income<br>protection | Travel and<br>mileage | Car<br>allowance | Total |
|-----------------------------|------------------------------------|-------------------|----------------------|-----------------------|------------------|-------|
| <b>2018</b>                 |                                    |                   |                      |                       |                  |       |
| Alistair Cox                | 2                                  | 10                | 12                   | 4                     | 20               | 48    |
| Paul Venables               | 2                                  | 8                 | 12                   | –                     | 18               | 40    |
| <b>2017</b>                 |                                    |                   |                      |                       |                  |       |
| Alistair Cox                | 3                                  | 9                 | 12                   | 4                     | 20               | 48    |
| Paul Venables               | 3                                  | 4                 | 9                    | –                     | 18               | 34    |

PMI, life assurance and income protection figures represent the annual premiums.

### 1.1.3 Pension – note 3 (audited)

#### Policy summary

- Other than a cash payment in lieu of pension at the rate of 30% of base salary, there are no other pension arrangements for the directors.
- For the sake of clarity, neither executive director has any defined benefit pension provision.

#### What has happened

There were no changes in FY18.

£000s

Executive director

Pension

#### 2018

|               |     |
|---------------|-----|
| Alistair Cox  | 221 |
| Paul Venables | 160 |

#### 2017

|               |     |
|---------------|-----|
| Alistair Cox  | 217 |
| Paul Venables | 156 |

### 1.1.4 Other benefits – note 4 (audited)

#### Policy summary

- The executive directors are able to participate in the Hays UK Sharesave Scheme in the same way as other eligible employees.

#### What has happened

Alistair Cox participated in the March 2017 Hays Sharesave Scheme and Paul Venables participated in the March 2016 and 2017 Hays Sharesave Schemes. No shares were due to be exercised in FY18. Details are shown on page 83.

£000s

Executive director

Other  
£000

#### 2018

|               |   |
|---------------|---|
| Alistair Cox  | 0 |
| Paul Venables | 0 |

#### 2017

|               |   |
|---------------|---|
| Alistair Cox  | 3 |
| Paul Venables | 2 |

### 1.1.5 Annual Bonus – note 5 (audited)

#### Policy summary

- Maximum bonus potential for FY18 under the 2017 Policy is 150% of base salary, of which 50% of any award is paid in cash and 50% is deferred into shares.
- Bonus is based on financial KPIs and personal objectives.

#### What has happened

The figure shown is the total bonus awarded in relation to performance in the year, including the portion that is deferred.

For bonus awarded in relation to 2018 performance, 50% of the figure shown is deferred into shares for three years. The bonus awarded in FY17 falls under the legacy Policy approved by Shareholders at the 2014 AGM. Under this Policy 40% of the figure shown was deferred into shares for three years.

There are no further performance conditions but leaver terms apply.

The cash element of the bonus award in relation to performance in both 2018 and 2017 is subject to Clawback for three years from award. The deferred element is subject to Malus for the three year holding period.

See pages 76 to 79 for detailed information on performance against targets.

## ANNUAL REPORT ON REMUNERATION CONTINUED

## 1.1.5 Annual Bonus – note 5 (audited) continued

## Summary

| £000s<br>Executive director            | Annual<br>Bonus | Of which<br>cash | Of which<br>deferred | % of<br>salary<br>achievement |
|--|-----------------|------------------|----------------------|-------------------------------|
| <b>2018 – 50% deferred into shares</b> |                 |                  |                      |                               |
| Alistair Cox                           | <b>1,069</b>    | <b>534</b>       | <b>535</b>           | <b>144.83%</b>                |
| Paul Venables                          | <b>771</b>      | <b>385</b>       | <b>386</b>           | <b>144.83%</b>                |
| <b>2017 – 40% deferred into shares</b> |                 |                  |                      |                               |
| Alistair Cox                           | 837             | 502              | 335                  | 115.67%                       |
| Paul Venables                          | 603             | 362              | 241                  | 115.67%                       |

## Details of the FY18 Annual Bonus

| The performance metrics and objectives  | Assessment  | Achievement and what happens now  |
|---|---|---|
| <p>60% on earnings per share (“EPS”): focuses on shareholder returns;</p> <p>20% on cash conversion: ensures ongoing business efficiency; and</p> <p>20% on personal objectives: safeguard and plan for the Company’s future.</p> <p>Overall both executives achieved very high performance against these objectives.</p> | <p>The Committee reviews both the Company’s results and executive directors’ performance against their personal objectives.</p> <p>The basic EPS targets and actual performance were measured at budget exchange rates.</p> <p>Cash conversion is the operating cash flow of the Company before deducting net capital expenditure items for the financial year, stated as a percentage of operating profit before exceptional items.</p> <p>In addition to assessment of the individual executives’ overall performance against key objectives, the Committee also takes into account its view of the directors’ regulatory compliance and approach to risk (including environmental, social or governance (ESG) risks).</p> <p>The Committee has not exercised any discretion in relation to bonus outcomes.</p> <p>Further detail is set out in the next pages.</p> | <p><b>Alistair Cox</b><br/>Achieved 144.83% of salary (out of 150% maximum potential, i.e. 96.55% of maximum).</p> <p>This equates to a bonus of £1,068,780 (as stated in the Single Figure) of which:</p> <ul style="list-style-type: none"> <li>– 50% or £534,390 will be paid as cash; and</li> <li>– 50% or £534,390 will be deferred into shares for three years. There are no further performance conditions.</li> </ul> <p><b>Paul Venables</b><br/>Achieved 144.83% of salary (out of 150% maximum potential, i.e. 96.55% of maximum).</p> <p>This equates to a bonus of £770,589 (as stated in the Single Figure) of which:</p> <ul style="list-style-type: none"> <li>– 50% or £385,294 will be paid as cash; and</li> <li>– 50% or £385,295 will be deferred into shares for three years. There are no further performance conditions.</li> </ul> <p><b>Clawback and Malus</b><br/>The cash element of the bonus is subject to Clawback for three years from the date of award. The deferred element is subject to Malus for the three-year deferral period.</p> |

**Calculation of actual results (audited)**

Annual Bonus 2018 outcome

Alistair Cox

Paul Venables

|   |             |   |                              |                    | Annual bonus value for meeting threshold and maximum performance (% salary) |                         |                   |                         |                   |
|---|-------------|---|------------------------------|--------------------|---|-------------------------|-------------------|-------------------------|-------------------|
| Performance condition   | Weighting   | Threshold performance required                    | Maximum performance required | Actual performance |   | Achievement % salary    | Bonus value £000s | Achievement % salary    | Bonus value £000s |
| EPS*  | 60%         | 10.30p  | 11.24p                       | 11.50p             | 18 – 90   | 90.00%                  | 664               | 90.00%                  | 479               |
| Cash Conversion   | 20%         | 71%   | 101%                         | 100.16%            | 6 – 30  | 29.33%                  | 217               | 29.33%                  | 156               |
| Personal  | 20%         | –   | 100%                         | 85%                | 0 – 30  | 25.50%                  | 188               | 25.50%                  | 136               |
| <b>Total 2018</b>   | <b>100%</b> | <b>These totals are in the 2018 Single Figure</b> |                              |                    |   | <b>144.83%</b>          | <b>1,069</b>      | <b>144.83%</b>          | <b>771</b>        |
| * Both the target and actual performance were based on budget exchange rates. Therefore actual performance is slightly higher than the reported performance due to movements in exchange rates during the year. |             |   |                              |                    |   | Of which cash – 50%     | 534               | Of which cash – 50%     | 385               |
|   |             |   |                              |                    |   | Of which deferred – 50% | 535               | Of which deferred – 50% | 386               |





Both Alistair Cox and Paul Venables achieved 85% of their personal objectives which are outlined on pages 78 and 79.

## ANNUAL REPORT ON REMUNERATION CONTINUED

### Personal objectives

Personal objectives are weighted at 20% of the executive directors' annual bonus potential (a maximum of 30% of base salary). They are comprised of specific issues that should be achieved during the financial year to safeguard the business and contribute to, or form, the essential building blocks of our future long-term strategic priorities. As a result, some details of the executives' objectives cannot be fully disclosed due to their commercial sensitivity. However, the key major themes of the objectives and the executives' broad achievements are given below.

### CEO – Alistair Cox

| Key Themes for FY18   | Link to Strategic Priorities  | Broad achievements in FY18   |
|---|---|--|
| <b>Business Growth</b><br>A focus on the long-term profitability and growth in three key areas: <ul style="list-style-type: none"> <li>– Germany</li> <li>– The USA</li> <li>– Asia</li> </ul>                                  | <br><br> | <p>The <b>German</b> business achieved 16% growth on a like-for-like basis. Four new offices opened and headcount rose 13%.</p> <p><b>German results</b><br/>           Net fees £276.0m (2017: £230.3m) : 19.8% increase<br/>           Operating Profit £86.0m (2017: £80.5m) : 6.8% increase</p> <p>Germany became a separate reporting entity in FY18 and further information can be found on page 30</p> <p>Investment has increased in the <b>USA</b> where headcount rose by 21%. This meant profit growth in absolute terms was relatively modest with net fees in the USA growing by 28%.</p> <p>Further detail on The Americas can be found on page 32.</p> <p><b>Asia</b> delivered an excellent performance with net fees up 23% and operating profit up 72%. Five of the six businesses in the region delivered record net fee performances with Hong Kong up 57%. Japan and China grew by 13% and 29% respectively. Further information can be found on page 32.</p> |
| <b>People</b><br>A focus on leadership development to ensure strong management capability to lead the Company into the future;<br>and<br>The successful appointment of a number of senior management roles across the business. |    | <p>A new senior management training &amp; development programme has been implemented and 40 employees have taken part during FY18 to ensure that there is a pipeline of competent, well-trained managers to achieve the Company's future goals.</p> <p>Over the course of FY18 there have been a number of key senior manager appointments including the Regional Managing Director of EMEA (excluding German speaking countries, Russia and the Nordics), a new Managing Director for the UK&amp;I and a new Regional Managing Director for Asia. In addition, two new individuals have been appointed to the Management Board which is the most senior operating group below the Board.</p>  |
| <b>Technology &amp; Innovation</b><br>A focus on ensuring that the Company maximises both technology and innovative strategic partnerships across the business.   |   | <p>The Company has developed and rolled out powerful productivity tools that allow consultants to better cultivate leads and convert “passive” candidates to “active”.</p> <p>A partnership was signed with Xing in Germany and the partnerships with Stack Overflow in the USA and SEEK in Australia, as well as LinkedIn and Google, continued to grow and develop.</p>  |
| <b>After assessment by the Chairman and review by the Committee it was determined that the CEO Alistair Cox has achieved 85% of his personal objectives</b>   |   |  |

## CFO – Paul Venables

| Key Themes for FY18  | Link to Strategic Priorities   | Broad achievements in FY18   |
|--|--|--|
| <b>Risk Management &amp; Financial Controls</b><br>A focus on ensuring that risk management is robustly embedded in all countries;<br><br>Ensuring that the Company's financial systems are upgraded in certain locations to future-proof them.<br><br>Maintaining cost control. | <br><br> | Focus has been given on ensuring that the Risk Committee continues to have the right mix of skills, experience and geographic exposure so it is well equipped to identify and evaluate potential new risks as they arise. To ensure continuing high standards are maintained, Paul attended the Boards across the regions in the UK, Germany, ANZ, Asia, LATAM and EMEA and training sessions were run in various countries to improve local understanding.<br><br>Several financial system improvements have been implemented in Germany, FraBenNeLux and the USA as well as Japan and China.<br><br>Tight and appropriate cost control was maintained throughout the Group, including in Germany in the second half of FY18. |
| <b>People</b><br>Ensuring the appointment of capable financial leaders in key areas and overseeing the ongoing development of future successors to key financial roles.  |   | During the course of FY18 detailed career development plans were put in place for high potential individuals in key financial roles as part of succession planning within the finance function.<br><br>During FY18 a new Head of Investor Relations was recruited and successfully onboarded.  |
| <b>Investors</b><br>Maintain meaningful and open dialogue with investors and shareholders to build strong relationships.   |   | Hays held an in-depth Investor Day in November 2017 explaining its business strategy, providing an opportunity for investors to hear and speak to key Hays business leaders from around the world and demonstrating new technologies to increase the productivity of our consultants. The feedback on the event was exceptionally good.  |
| <b>After assessment by the CEO and review by the Committee it was determined that the CFO Paul Venables has achieved 85% of his personal objectives</b>  |  |  |

## 1.1.6 PSP – note 6

### Policy summary

- The 2015 PSP was granted under the legacy Policy approved at the November 2014 AGM.
- Maximum potential for executive directors was 175% of base salary at grant.
- KPIs were focused on long-term sustainability and shareholder returns.
- Performance period was three years.
- Threshold performance equates to 25% of the award.
- Award is subject to Malus provisions prior to vesting and Clawback provisions for up to two years post vesting.

### What has happened

58.62% of the 2015 award vested in 2018. No Malus was exercised.

### PSP 2015 (granted in FY16) vesting in 2018

The value of the 2015 PSP (vesting in September 2018) is based on a share price of £1.84, which was calculated using an average for the final quarter of the financial year in accordance with the Regulations as the vesting will occur after the date of this Report. The share price on award was £1.622. The award vested at 58.62% of the maximum.

See pages 80 and 81 for detailed information on performance against targets.

| Executive director | Value £000s in Single Figure based on share price of £ 1.84 | Restatement  |
|--------------------|---|--|
| <b>2018</b>        |   |  |
| Alistair Cox       | <b>896</b>  | Value will be restated in FY19 report when vesting share price is known. |
| Paul Venables      | <b>646</b>  |  |

## ANNUAL REPORT ON REMUNERATION CONTINUED

### Details of PSP 2015 (granted in FY16) vesting in 2018

This PSP was granted under the Policy approved by shareholders in 2014.

| The performance metrics and objectives  | Assessment   | Achievement and what happens now   |
|---|--|--|
| <p><b>Three-year plan</b><br/>Performance period: 1 July 2015 to 30 June 2018.</p> <p>Granted: 10 September 2015 and will vest 10 September 2018.</p> <p><b>Performance Metrics</b><br/>One-third on cumulative earnings per share (<b>EPS</b>): focuses on longer-term shareholder returns.</p> <p>One-third on <b>Cumulative Cash Conversion</b> focuses on ongoing business cash efficiency, whatever the trading circumstances of the Company.</p> <p>One-third on relative total shareholder return (<b>TSR</b>):<br/>Ranks the performance of Hays against a sector group of comparator companies:<br/>Adecco SA<br/>Kelly Services Inc<br/>Manpower Group Inc<br/>Page Group plc (previously Michael Page International plc)<br/>Randstad Holdings nv<br/>Robert Half International Inc<br/>Robert Walters plc<br/>SThree plc<br/>USG People nv<sup>(1)</sup><br/>CDI Corporation<sup>(1)</sup></p> <p>(1) USG People nv and CDI Corporation were delisted. The TSR calculation was conducted in line with the Plan rules under these circumstances.</p> | <p><b>Cumulative Earnings Per Share</b> is the consolidated basic earnings per share of the Company for each financial year cumulative over the performance period, as calculated based on the accounting standards in place when issued. Goodwill impairments arising from acquisitions prior to 30 June 2006 are excluded from the earnings per share calculation.</p> <p>The Committee may make adjustments to the calculations of cumulative earnings per share, including taking into account unusual or non-recurring items that do not reflect underlying performance.</p> <p><b>Cumulative Cash Conversion</b> three-year Cash Conversion is the cumulative operating cash flow of the Company after deducting net capital expenditure items stated as a percentage of cumulative operating profit before exceptional items.</p> <p><b>TSR</b> for each company measures the change in value (in sterling terms) of a notional shareholding (including dividends) in that company based on dealing days in the three-month period prior to the start and end of the performance period. The TSR for Hays' shares is ranked against the respective TSR performance of the comparator group.</p> <p>Vesting will be subject to satisfactory financial performance over the performance period as determined by the Committee.</p> <p>The Committee has not exercised any discretion in relation to PSP outcomes.</p> | <p><b>Alistair Cox</b><br/>Awarded 765,268 shares in 2015.</p> <p>58.62% of the award has vested.</p> <p>487,026 shares will be released in September 2018 which includes accrued dividend equivalent shares, with the exception of those relating to the dividends to be approved at this year's AGM.</p> <p>This equates to a value of £896,128 using a preliminary share price of £1.84 – see page 79.</p> <p>This value will be restated in 2019's Report once the final share price and number of dividends are known.</p> <p><b>Paul Venables</b><br/>Awarded 551,757 shares in 2015.</p> <p>58.62% of the award has vested.</p> <p>351,143 shares will be released in September 2018 which includes accrued dividend equivalent shares, with the exception of those relating to the dividends to be approved at this year's AGM.</p> <p>This equates to a value of £646,103 using a preliminary share price of £1.84 – see page 79.</p> <p>This value will be restated in 2019's Report once the final share price and number of dividends are known.</p> |

### Actual results

#### PSP 2015 (granted in FY16) vesting in 2018 (audited)

The share price used to calculate the award was £1.622, being the closing price on the day preceding the grant date.

|                    |                             |
|--------------------|-----------------------------|
| Performance period | 1 July 2015 to 30 June 2018 |
| Grant date         | 10 September 2015           |
| Release date       | 10 September 2018           |

| Performance condition | Weighting | Threshold performance required | Maximum performance required           | PSP value as % of salary for: |              |               | Actual Performance | PSP Value achieved as % of base salary |
|-----------------------|-----------|--------------------------------|--|-------------------------------|--------------|---------------|--------------------|--|
|                       |           |                                |  | Below threshold               | Threshold    | Maximum       |                    |  |
| Relative TSR          | 1/3       | Median of the comparator group | Upper quartile of the comparator group | 0                             | 14.583       | 58.33         | 23.95%             | 0%                                     |
| EPS <sup>(1)</sup>    | 1/3       | 25.17p                         | 29.45p                                 | 0                             | 14.583       | 58.33         | 29.58p             | 58.33%                                 |
| Cash Conversion       | 1/3       | 71%                            | 101%                                   | 0                             | 14.583       | 58.33         | 91.95%             | 44.25%                                 |
| Total                 | 100%      |                                |  | 0                             | 43.75        | 175           |                    | 102.58%                                |
|                       |           |                                |  |                               | 25% of award | 100% of award |                    |  |

(1) The Committee took into account the following factors when setting the EPS targets:

- Budget (the setting of which is a robust and transparent process):
  - Company budget for FY16 and the expectations for performance;
  - Strategic direction of the business over the period covered by the PSP award; and
  - Market conditions and visibility of future trading;
- Analysts' forecasts; and
- Real growth around an assumed RPI of 3% per annum. The final Threshold and Maximum figures have been adjusted upwards to reflect the actual RPI now known.

| Name          | % of FY16 salary awarded | Face value at award £000s | Share price at award £ | Maximum number of shares excluding dividends | Maximum number of shares including dividend equivalent shares, with the exception of those relating to the dividends to be approved at this year's AGM | Number of shares that vested including dividend equivalent shares, with the exception of those relating to the dividends to be approved at this year's AGM | Release date      | Value (figure shown in Single Figure of Remuneration) £000s <sup>(1)</sup> | 2014 award that vested in 2017 as stated in the 2017 Single Figure £000s | 2014 award value restated using share price at release date £000s <sup>(2)</sup> |
|---------------|--------------------------|---------------------------|------------------------|--|--|--|-------------------|--|--|--|
| Alistair Cox  | 175                      | 1,241                     | 1.622                  | 765,268                                      | 830,820  | 487,026  | 10 September 2018 | 896  | 1,038  | 1,165  |
| Paul Venables | 175                      | 895                       | 1.622                  | 551,757                                      | 599,019  | 351,143  | 10 September 2018 | 646  | 749  | 840  |

(1) The value of the 2015 PSP is based on a share price of £1.84 which was calculated using an average for the final quarter of the 2018 financial year in accordance with the Regulations as the vesting will occur after the date of this report.

(2) The value of the 2014 PSP disclosed in the 2017 Single Figure was based on a share price of £1.6735 which was calculated using an average for the final quarter of the 2017 financial year in accordance with the Regulations as the vesting occurred after the date of the Report. The share price on award was £1.246. The actual share price on the date of vesting on 14 November 2017 was £1.815371. This price has been used to restate the value of the 2014 PSP awards in the Single Figure for 2017 in the table above and the Single Figure table on page 74. The figures now also include the associated dividend equivalents from 15 November 2017.

### Performance conditions

The Committee believes that the performance conditions for all incentives are:

- Suitably demanding;
- Have regard to business strategy;
- Incorporate an understanding of business risk;
- Consider shareholder expectations; and
- Take into account, to the extent possible, the cyclicity of the recruitment markets in which the Group operates.

To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no re-testing of performance.

## ANNUAL REPORT ON REMUNERATION CONTINUED

### PSP 2014 (granted in FY15) vesting in 2017

The value of the 2014 PSP (which vested in 2017 and was disclosed in the 2017 Single Figure) was based on a share price of £1.6735 which was calculated using an average for the final quarter of the 2017 financial year in accordance with the Regulations as the vesting occurred after the date of the Report. The share price on award was £1.246. The actual share price on the date of vesting on 14 November 2017 was £1.815371. This price has been used to restate the value of the 2014 PSP awards in the Single Figure for 2017 in the table above and the Single Figure table on page 74. The figures also now include the value of the dividend and special dividends awarded at the November 2017 AGM.

| £000s<br>Executive director | Value in 2017 Single Figure<br>based on share price of £1.6735 | Value restated based on actual<br>share price at vesting<br>of £1.815371 |
|-----------------------------|--|--|
| <b>2017</b>                 |  |  |
| Alistair Cox                | 1,038  | 1,165  |
| Paul Venables               | 749  | 840  |

### 1.2 Non-executive directors FY18 fees (audited)

The table below shows the current fee structure and actual fees paid in 2018. There were no taxable benefits paid in 2018 or 2017.

| £000s<br>Non-executive director   | Alan<br>Thomson | Paul<br>Harrison <sup>(1)</sup> | Andy<br>Martin <sup>(2)</sup> | Susan<br>Murray <sup>(3)</sup> | Victoria<br>Jarman | MT<br>Rainey | Torsten<br>Kreindl | Pippa<br>Wicks <sup>(4)</sup> | Peter<br>Williams |
|-----------------------------------|-----------------|---------------------------------|-------------------------------|--------------------------------|--------------------|--------------|--------------------|-------------------------------|-------------------|
|                                   | Chairman        | SID                             | SID                           |                                |                    |              |                    |                               |                   |
|                                   | <b>R</b>        | R                               | <b>R</b>                      | R                              | R                  | R            | R                  | R                             | R                 |
|                                   | <b>N</b>        | N                               | N                             | N                              | N                  | N            | N                  | N                             | N                 |
|                                   | A               | A                               | A                             | <b>A</b>                       | A                  | A            | A                  | A                             | A                 |
| Base                              | 255             | 21                              | 54                            | 54                             | 56                 | 56           | 56                 | 21                            | 56                |
| Committee fee                     | -               | -                               | -                             | -                              | -                  | -            | -                  | -                             | -                 |
| Committee Chairman <sup>(5)</sup> | -               | 5                               | -                             | 8                              | 13                 | -            | -                  | -                             | -                 |
| SID                               | -               | 4                               | 7                             | -                              | -                  | -            | -                  | -                             | -                 |
| <b>Total fee 2018</b>             | <b>255</b>      | <b>30</b>                       | <b>61</b>                     | <b>62</b>                      | <b>69</b>          | <b>56</b>    | <b>56</b>          | <b>21</b>                     | <b>56</b>         |
| Total fee 2017                    | 250             | 77                              | -                             | -                              | 67                 | 55           | 55                 | 55                            | 55                |

#### Key

|              |                                |
|--------------|--------------------------------|
| R            | Remuneration Committee member  |
| A            | Audit Committee member         |
| N            | Nomination Committee member    |
| SID          | Senior Independent Director    |
| <b>R N A</b> | Chairman of relevant Committee |

- (1) Paul Harrison stood down from the Board at the AGM on 15 November 2017. His fees therefore reflect the period 1 July 2017 to 15 November 2017.
- (2) Andy Martin was appointed to the Board on 12 July 2017 and was appointed SID at the AGM on 15 November 2017. His fees therefore reflect this.
- (3) Susan Murray was appointed to the Board on 12 July 2017 and was appointed Chair of the Remuneration Committee at the AGM on 15 November 2017. Her fees therefore reflect this.
- (4) Pippa Wicks stood down from the Board at the AGM on 15 November 2017. Her fees therefore reflect the period 1 July 2017 to 15 November 2017.
- (5) There is no additional Committee Chair fee for the Nomination Committee.

## Section 2 – Long-term value creation

### In this section:

**2.1** Outstanding deferred annual bonus

**2.2** Share options

**2.3** Outstanding PSP awards

**2.4** Statement of directors' shareholdings and share interests

**2.5** TSR chart and table

**2.6** Payments to past directors/payment for loss of office during FY18

### 2.1 Outstanding deferred annual bonus awards (DAB) (audited)

The table below shows the shares held under the DAB and those that were awarded or vested during FY18. The shares that vested related to deferred annual bonus from previous years. The shares awarded in the financial year 2018 relate to deferred annual bonus in relation to performance in the financial year 2017. Dividend equivalent shares which accrue under the DAB have been included in the table below. There are no further performance conditions.

| Name          | Awards outstanding at 1 July 2017 | Dividend equivalents accrued to date | Awards granted in FY18 | Grant price (market price at date of award) | Face value of award granted in FY18 (at grant price) | Dividend equivalent shares accrued to date | Awards vesting in FY18 | Awards outstanding as at 30 June 2018 |
|---------------|-----------------------------------|--------------------------------------|------------------------|---|--|--|------------------------|---------------------------------------|
| Alistair Cox  | 630,429                           | 44,473                               | 181,915                | £1.84                                       | £334,725   | 7,516                                      | 266,504                | 597,829                               |
| Paul Venables | 452,987                           | 31,931                               | 131,160                | £1.84                                       | £241,336   | 5,418                                      | 192,149                | 429,347                               |

### 2.2 Share options

Both executive directors participate in the UK Sharesave Scheme (approved by HMRC) on the same terms as other eligible employees. The following table shows outstanding options over Ordinary shares held by the executive directors during the year ended 30 June 2018.

| Name          | Scheme date of grant | Balance 1 July 2017 | Granted during 2018 | Exercised | Balance 30 June 2018 | Option Price £ | Exercise date | Market price on date of exercise £ | Gain £000s | Date from which exercisable | Expiry date     |
|---------------|----------------------|---------------------|---------------------|-----------|----------------------|----------------|---------------|------------------------------------|------------|-----------------------------|-----------------|
| Alistair Cox  | 31 March 2017        | 6,293               | –                   | –         | 6,293                | 1.43           | –             | –                                  | –          | 1 May 2020                  | 31 October 2020 |
| Paul Venables | 31 March 2016        | 3,364               | –                   | –         | 3,364                | 1.07           | –             | –                                  | –          | 1 May 2019                  | 31 October 2019 |
| Paul Venables | 31 March 2017        | 3,776               | –                   | –         | 3,776                | 1.43           | –             | –                                  | –          | 1 May 2020                  | 31 October 2020 |

## ANNUAL REPORT ON REMUNERATION CONTINUED

### 2.3 Outstanding PSP awards

The tables below show the outstanding PSP awards where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods. The 2016 award was made in line with the PSP in the Remuneration Policy approved by shareholders at the 2014 AGM. The 2017 award was made in line with the PSP in the Remuneration Policy approved by shareholders at the 2017 AGM.

#### 2016 PSP (granted in FY17) vesting 2019 (made under the legacy Policy approved at the November 2014 AGM)

The share price used to calculate the award is £1.373, being the closing price on the day preceding the grant date.

|                    |                             |
|--------------------|-----------------------------|
| Performance period | 1 July 2016 to 30 June 2019 |
| Grant date         | 10 September 2016           |
| Release date       | 10 September 2019           |

| Performance condition       | Weighting | Threshold performance required<br>(25% of elements vest)<br>Median of the comparator group | Maximum performance required<br>(100% of elements vest)<br>Upper quartile of the comparator group | PSP value as % of salary for: |              |               |
|-----------------------------|-----------|--|---|-------------------------------|--------------|---------------|
|                             |           |  |   | Below threshold               | Threshold    | Maximum       |
| Relative TSR <sup>(1)</sup> | 1/3       | Median of the comparator group   | Upper quartile of the comparator group  | 0                             | 14.583       | 58.33         |
| EPS <sup>(2)</sup>          | 1/3       | 22.01p   | 25.75p  | 0                             | 14.583       | 58.33         |
| Cash Conversion             | 1/3       | 71%  | 101%  | 0                             | 14.583       | 58.33         |
| Total                       | 100%      |  |   | 0                             | 43.75        | 175           |
|                             |           |  |   |                               | 25% of award | 100% of award |

| Name          | % of FY17 salary awarded | Face value at award<br>£000s | Share price at award<br>£ | Maximum number of shares | Threshold number of shares |
|---------------|--------------------------|------------------------------|---------------------------|--------------------------|----------------------------|
| Alistair Cox  | 175                      | 1,266                        | 1.373                     | 922,134                  | 230,533                    |
| Paul Venables | 175                      | 913                          | 1.373                     | 664,857                  | 166,214                    |

- (1) TSR is measured against a bespoke comparator group, with vesting subject to satisfactory financial performance as determined by the Committee. The comparator group is Adecco SA, CDI Corporation, Kelly Services Inc, Manpower Inc, Michael Page International plc (now Page Group), Randstad Holdings nv, Robert Half International Inc, Robert Walters Plc and SThree Plc.
- (2) The Committee took into account the following factors when setting the EPS targets:
  - Budget (the setting of which is a robust and transparent process):
    - Company budget for FY17 and the expectations for performance;
    - Strategic direction of the business over the period covered by the PSP award; and
    - Market conditions and visibility of future trading;
  - Analysts' forecasts; and
  - An assumed RPI of 3% per annum. The final Threshold and Maximum figures will be adjusted once the actual RPI is known.
- (3) The award is subject to Malus for the three-year performance period and Clawback for two years post vesting.

As explained in detail in the 2016 remuneration report, the Committee notes that the EPS target range is lower in absolute terms than the targets applied to the awards made in FY16. However, the Committee is entirely comfortable that these targets are no less challenging in relative terms than the targets applied to the FY16 award and reflect external forecasts.

## 2017 PSP (granted in FY18) vesting 2020 (made under the Policy approved at the November 2017 AGM)

The share price used to calculate the award is £1.872, being the closing price on the day preceding the grant date.

|                    |  |
|--------------------|--|
| Performance period | 1 July 2017 to 30 June 2020                            |
| Grant date         | 21 November 2017                                       |
| Vest date          | 21 November 2020 followed by a two-year Holding Period |

| Performance condition       | Weighting | Threshold performance required<br>(25% of the elements vest) | Maximum performance required<br>(100% of the elements vest) | PSP value as % of salary for: |              |               |
|-----------------------------|-----------|--|---|-------------------------------|--------------|---------------|
|                             |           |  |   | Below threshold               | Threshold    | Maximum       |
| Relative TSR <sup>(1)</sup> | 20%       | Median of the comparator group                               | Upper quartile of the comparator group                      | 0                             | 7.5%         | 30%           |
| EPS <sup>(2)</sup>          | 30%       | 32.21p   | 37.73p  | 0                             | 11.25%       | 45%           |
| Cash Conversion             | 50%       | 71%  | 101%  | 0                             | 18.75%       | 75%           |
| Total                       | 100%      |  |   | 0                             | 37.50%       | 150%          |
|                             |           |  |   |                               | 25% of award | 100% of award |

| Name          | % of FY18 salary awarded | Face value at award<br>£000s | Share price at award<br>£ | Maximum number of shares | Threshold number of shares |
|---------------|--------------------------|------------------------------|---------------------------|--------------------------|----------------------------|
| Alistair Cox  | 150                      | 1,107                        | 1.872                     | 591,306                  | 147,826                    |
| Paul Venables | 150                      | 798                          | 1.872                     | 426,331                  | 106,582                    |

- (1) TSR is measured against a bespoke comparator group, with vesting subject to satisfactory financial performance as determined by the Committee. The comparator group is Adecco SA, Kelly Services Inc, Manpower Inc, Page Group (previously Michael Page International plc), Randstad Holdings nv, Robert Half International Inc, Robert Walters plc and SThree plc.
- (2) The Committee took into account the following factors when setting the EPS targets for the award:
  - Budget (the setting of which is a robust and transparent process):
    - Company budget for FY18 and the expectations for performance;
    - Strategic direction of the business over the period covered by the PSP award; and
    - Market conditions and visibility of future trading;
  - Analysts' forecasts; and
  - Threshold and maximum ongoing growth expectations for years two and three are set around a fixed range.
- (3) There is a two-year holding period post vesting for any shares that vest as a result of performance conditions being met.
- (4) The award is subject to Malus for the three-year performance period and Clawback during the two-year holding period.

The Malus and Clawback provisions are:

- Material misstatement resulting in an adjustment to the audited accounts;
- Incorrect assessment of any performance conditions or award calculations due to an error or misleading information; and
- Fraud and Gross misconduct.

## ANNUAL REPORT ON REMUNERATION CONTINUED

### 2.4 Statement of directors' shareholdings and share interests (audited)

#### Policy summary

- Shareholding requirements in operation at Hays are currently 200% of base salary for both the Chief Executive and the Group Finance Director. Both are required to build up their shareholdings over a reasonable amount of time which would normally be five years.

#### What has happened

The number of shares of the Company in which current directors had a beneficial interest and details of long-term incentive interests as at 30 June 2018 are set out in the table below.

| Name          | Shareholding requirement % of salary | Number of shares owned outright/ vested shares | Share price as at 29 June 2018 | Base salary as at 1 July 2017 | Actual share ownership as % of base salary | Guidelines met |
|---------------|--------------------------------------|--|--------------------------------|-------------------------------|--|----------------|
| Alistair Cox  | 200%                                 | 4,312,046                                      | £1.866                         | £737,950                      | 1,090%                                     | Yes            |
| Paul Venables | 200%                                 | 2,100,035                                      | £1.866                         | £532,061                      | 737%                                       | Yes            |

Shares used for the above calculation exclude those with performance conditions, i.e. those awarded under the PSP which are still within their performance period, any unexercised options, those shares subject to a period of deferral and any shares held in a private Trust where the executive director is not a Trustee. They include vested shares where the executive directors have beneficial ownership, shares independently acquired in the market and those held by a spouse or civil partner or dependent child under the age of 18 years. The executive directors' total shareholdings, including shares subject to deferral and including accrued dividend equivalents to 30 June 2018, but excluding Sharesave Options, are shown below.

| Name          | Number of owned outright/ vested shares | Value of owned outright/ vested shares <sup>(2)</sup> £ | Number of shares subject to deferral/ holding period <sup>(1)</sup> | Value of shares subject to deferral/ holding period <sup>(2)</sup> £ | Number of total vested and unvested shares (excludes any shares with performance conditions) | Value of total vested and unvested shares (excludes any shares with performance conditions) <sup>(2)</sup> £ | Share ownership as % of base salary using vested and unvested shares | PSP share Interests including dividends subject to performance conditions |
|---------------|---|---|---|--|--|--|--|---|
| Alistair Cox  | 4,312,046                               | 8,046,278   | 597,829   | 1,115,549  | 4,909,875  | 9,161,827  | 1,241%   | 2,405,648   |
| Paul Venables | 2,100,035                               | 3,918,665   | 429,347   | 801,162  | 2,529,382  | 4,719,827  | 887%   | 1,734,467   |

(1) Unvested shares will be subject to payroll deductions for tax and social security on vesting. Number includes dividend equivalent shares to date.

(2) Share price as at 29 June 2018 and used in the above table was £1.866.

There have been no changes to the above holdings as at the date of this Report.

The table below shows the NEDs' shareholdings as at 30 June 2018 – this table has been audited.

| Non-executive director       | Shares held at 30 June 2018 | Shares held at 30 June 2017 |
|------------------------------|-----------------------------|-----------------------------|
| Alan Thomson                 | 250,000                     | 250,000                     |
| Paul Harrison <sup>(1)</sup> | 8,678                       | 8,678                       |
| Andy Martin <sup>(2)</sup>   | 35,000                      | n/a                         |
| Susan Murray <sup>(3)</sup>  | -                           | n/a                         |
| Victoria Jarman              | 14,000                      | 14,000                      |
| MT Rainey                    | -                           | -                           |
| Peter Williams               | 15,000                      | 15,000                      |
| Torsten Kreindl              | -                           | -                           |
| Pippa Wicks <sup>(4)</sup>   | -                           | -                           |

(1) Paul Harrison stood down from the Board at the AGM on 15 November 2017 – share numbers reflect the position at this date.

(2) Andy Martin was appointed to the Board on 12 July 2017.

(3) Susan Murray was appointed to the Board on 12 July 2017.

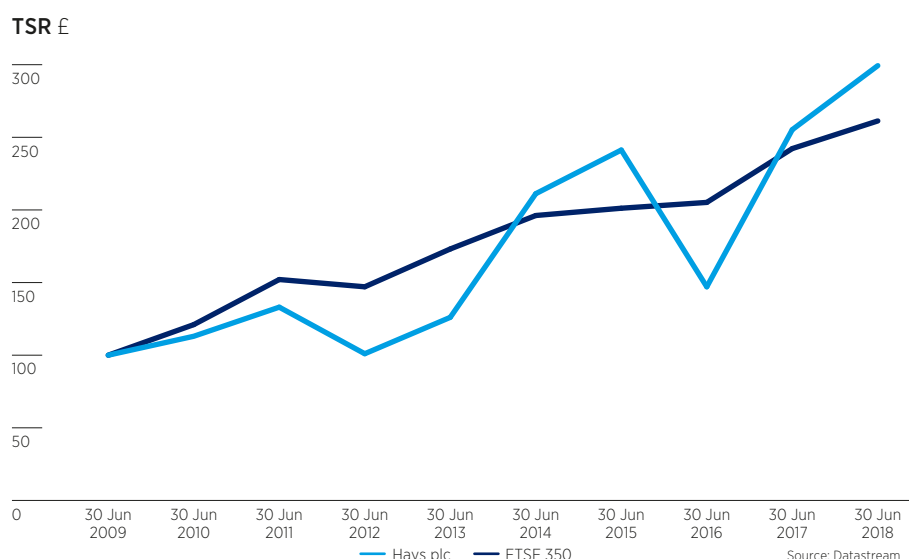
(4) Pippa Wicks stood down from the Board at the AGM on 15 November 2017 – share numbers reflect the position at this date.

There have been no changes to the above holdings for current NEDs as at the date of this Report.

## 2.5 Total Shareholder Return (TSR)

The graph shows the value of £100 invested in the Company's shares compared to the FTSE 350 index. The graph shows the total shareholder return generated by both the movement in share value and the reinvestment over the same period of dividend income. The Committee considers that the FTSE 350 is the appropriate index because the Company has been a member of this index throughout the period. This graph has been calculated in accordance with the Regulations.

Note that following the UK Referendum to leave the EU, Hays' share price fell from 136.9 pence on 23 June 2016 to 97.65 pence on 30 June 2016.



### Chief Executive historical remuneration

The table below sets out the total remuneration delivered to the Chief Executive over the last nine years, valued using the methodology applied to the total single figure of remuneration. The 2017 figure has been restated to take into consideration the actual share price on date of PSP vesting, as previously explained on page 82.

| Chief Executive  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Single Figure (£000s)                                    | 1,634 | 2,157 | 1,328 | 2,012 | 2,826 | 3,996 | 2,796 | 2,993 | 2,972 |
| Annual bonus payment level achieved (% of maximum opportunity) | 89%   | 80%   | 37%   | 95%   | 98%   | 98%   | 66%   | 93%   | 97%   |
| PSP vesting level achieved (% of maximum opportunity)          | 0%    | 50%   | 0%    | 22%   | 50%   | 100%  | 86%   | 60%   | 59%   |
| DAB match vesting level achieved (% of maximum opportunity)    | N/A   | 59%   | 60%   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   |

## 2.6 Payments to past directors/payment for loss of office during FY18

There were no payments made in relation to either of the above in the financial year 2018.

## ANNUAL REPORT ON REMUNERATION CONTINUED

### Section 3 – Remuneration in the broader context

#### In this section:

- 3.1** Remuneration for employees below Board
- 3.2** Change in Chief Executive's remuneration compared to other employees

- 3.3** External appointments
- 3.4** Relative importance of spend on pay

### 3.1 Remuneration for employees below Board

Our remuneration philosophy is cascaded throughout the organisation. Our Management Board has an annual bonus scheme that is measured against Group and Regional financial targets and personal and strategic objectives. Of any award, 50% is deferred into shares for three years and subject to Malus provisions. Members of the Management Board also participate in the Performance Share Plan ("PSP") with the same performance conditions as the executive directors.




Employees below the Management Board receive salary and benefits which are benchmarked to the local markets and countries in which they work. These are reviewed annually. There is a strong tie of reward to performance which is recognised through annual bonuses, commission or other non-financial recognition. Employees who hold key strategic positions or are deemed critical to the business through their performance are also offered the opportunity to participate in the Performance Share Plan with performance conditions based on Group EPS results measured over one year. Any shares that crystallise at the end of the performance period have a further two year holding period prior to vesting. During this time there is also a personal performance underpin. In addition, nine countries offer a Sharesave plan to employees. A Resolution was passed at the 2016 AGM to enable the future introduction of a US Stock Purchase Plan for employees in the USA.

As stated in our Remuneration Policy, each year, prior to reviewing the remuneration of the executive directors and the members of the Management Board, the Committee considers a report prepared by the Group Head of Reward detailing remuneration practice across the Group. The report provides a regional overview of how employee pay compares to the market, any material changes during the year and includes detailed analysis of basic pay and variable pay changes within the UK where all of the executive directors and most of the Management Board are based.

While the Company does not currently directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy, the Company takes account of feedback from the broader employee population on an annual basis using the engagement survey which includes a number of questions relating to remuneration.

Over the course of FY19, the Board and Committee will give further consideration to its approach to complying with the new Corporate Governance Code, which comes into effect for Hays from 1 July 2019. Further detail will be provided in next year's report.

The table below summarises the above.

| Principles  | Components  |   |   |
|---|---|---|---|
| <p>Operate a consistent reward and performance philosophy throughout the business.</p> <p>Provide a balanced package with a strong link between reward and individual and Group performance.</p> <p>Encourage a material, personal stake in the business to give a long-term focus on sustained growth.</p> | <p><b>Base Salary</b><br/>Based on skill and experience and benchmarked to local market.</p>  | <p><b>Annual bonus</b><br/>Employees who hold positions that influence the business strategy and direction, or hold key roles that have a direct effect on business results, have annual bonuses based on a combination of Group, Regional and/or local business targets and personal or strategic objectives.</p> <p>For members of the Management Board, 50% of any bonus earned is deferred into shares for three years and is subject to Malus.</p> | <p><b>Performance Share Plan (PSP) and Sharesave</b><br/>Members of the Management Board participate in the same PSP Plan as executive directors subject to Remuneration Committee approval. The PSP is subject to Malus and Clawback provisions.</p> <p>Management Board members are encouraged to retain shares.</p> <p>Below the Management Board, broadly 350 key employees each year participate in a PSP which has a one year performance period and two year holding period. Financial targets are based on Group EPS results. Nominations are reviewed and approved by the Remuneration Committee.</p> <p>Employees in nine countries can participate in a Sharesave scheme with the option to purchase shares after three years.</p> |
|   | <p><b>Benefits</b><br/>Benchmarked to local market and can include pension, life assurance, health cover and discounted voluntary benefits.</p> <p>In the UK the executive directors participate in the same plans as other UK employees.</p> | <p><b>Commission</b><br/>Client-facing employees have annual bonuses based on personal objectives and/or commission directly related to personal business performance.</p>  | <p><b>Talkback Survey</b><br/>An annual global employee engagement survey is conducted across all Hays' employees in all countries to ascertain overall engagement. This includes a number of questions relating to remuneration.</p>   |
| <b>Timeline</b>   |   |   |   |
| Fixed   |    |   |   |
| Variable  |   |   |   |
| Long-term/Ongoing   |    |   |   |

## ANNUAL REPORT ON REMUNERATION CONTINUED

### 3.2 Change in Chief Executive's remuneration compared to other employees

The following table sets out the change in the remuneration paid to the Chief Executive from 2017 to 2018 compared with the average percentage change for UK employees.

The Chief Executive's remuneration disclosed in the table below has been calculated to take into account base salary, taxable benefits, excluding his allowance in lieu of pension, and annual bonus (including any amount deferred). The UK employee pay (on which the average percentage change is based) is calculated using the increase in the earnings of UK-based, full-time employees who are eligible for increases in salary/benefits and who participate in the standard discretionary (i.e. not commission based) annual bonus plans (employees who receive bonuses on a monthly or other time-scale basis are excluded). It uses P11d data from tax years 2017 and 2018. Part-time employees have been excluded from the analysis as many will have experienced material changes in pay during the period due to their change of hours.

The comparison figures are based on relevant UK employees (as described above) as both executive directors and most of the Management Board are UK based and this is considered to be an appropriate comparison.

|                          | % change in salary<br>FY18 vs FY17 | % change<br>in taxable benefits<br>FY18 vs FY17 | % change<br>in variable pay<br>FY18 vs FY17 <sup>(1)</sup> |
|--------------------------|------------------------------------|---|--|
| Chief Executive          | 2.0%                               | 0%  | 27.72%   |
| Other relevant employees | 3.53%                              | 14.14%  | 4.42%  |

(1) The % change figure for variable pay for the Chief Executive reflects the transition to the Remuneration Policy approved at the November 2017 AGM that rebalanced the Annual Bonus and PSP potential as is explained in the Single Figure on page 74.

### 3.3 External appointments

The Company considers that certain external appointments can help to broaden the experience and contribution to the Board of the executive directors. Any such appointments are subject to prior agreement by the Company and must not be with competing companies. Subject to the Company's agreement, any fees may be retained by the individual.

For the 12 months ended 30 June 2018, the fees earned and retained by the executive directors were as follows:

- Alistair Cox: Alistair was appointed as a non-executive director at Just Eat plc on 2 May 2017. His current fee for the twelve months ending 31 December 2018 is £62,500.
- Paul Venables: Paul holds no external appointments.

### 3.4 Relative importance of spend on pay

The table below sets out the relative importance of the spend on pay in the 2018 financial year and the 2017 financial year compared with other disbursements. All figures are taken from the relevant Hays Annual Report.

|  | Disbursements<br>from profit in 2018<br>financial year<br>£m | Disbursements<br>from profit in 2017<br>financial year<br>£m | % change <sup>(1)</sup> |
|--|--|--|-------------------------|
| Profit distributed by way of dividend    | 128.4  | 108.2  | 18.7%                   |
| Overall spend on pay including directors | 635.2  | 563.0  | 12.8% <sup>(1)</sup>    |

(1) The increase is primarily due to the increase in consultant headcount and rise in commission payments in line with increase in fees.

## Section 4 – Statement of implementation of Remuneration Policy in the following financial year

### In this section:

**4.1** Executive directors

**4.3** Voting outcome

**4.2** Non-executive directors

Below are the Remuneration Policy decisions for the financial year 2019. There are no changes to the Policy approved by shareholders at the November 2017 AGM.

There have been no changes to our Remuneration Policy during FY18.

### 4.1 Executive directors

#### Summary

| Position | Name          | Base salary from 1 July 2018  | Maximum bonus potential as % of salary | Maximum PSP award as % of salary | Benefits and pension |
|----------|---------------|---|--|----------------------------------|----------------------|
| CEO      | Alistair Cox  | £752,709  | 150%                                   | 150%                             | No change            |
| CFO      | Paul Venables | £542,702  | 150%                                   | 150%                             | No change            |
|          |               | The salaries for the CEO and CFO were increased by 2.0%, in line with the pay review budget for other relevant employees in the UK. | See below for performance conditions.  | See grant summary below.         |                      |

### Bonus performance conditions

The weighting of the performance conditions remain as follows for FY19:

| Performance condition | Weighting |  |
|-----------------------|-----------|--|
| EPS                   | 60%       | The operation of the Bonus Plan is as set out in the Remuneration Policy which can be found on our website, haysplc.com.   |
| Cash Conversion       | 20%       |  |
| Personal              | 20%       | It should be noted that the Committee views the disclosure of the actual performance targets as commercially sensitive. The Committee will aim to provide retrospective disclosure of the performance targets to allow shareholders to judge the bonus earned in the context of the performance delivered. In some instances the detail of certain personal objectives may continue to be commercially sensitive for an extended period. |
| Total                 | 100%      |  |

Of any award, 50% will be deferred into shares and held for three years from the date of award and will be subject to Malus conditions for the three year holding period.

Any cash award is subject to Clawback conditions for three years from the date of award.

The Malus and Clawback provisions are:

- Material misstatement resulting in an adjustment to the audited accounts;
- Incorrect assessment of any performance conditions or award calculations due to an error or misleading information; and
- Fraud and Gross misconduct.

## ANNUAL REPORT ON REMUNERATION CONTINUED

### 2018 PSP (to be granted in FY19) vesting in 2021 and to be released in 2023

|                    |   |
|--------------------|---|
| Performance period | 1 July 2018 to 30 June 2021                             |
| Grant date         | 12 September 2018                                       |
| Vest date          | 12 September 2021 followed by a two-year Holding Period |

| Performance condition       | Weighting | Threshold performance required | Maximum performance required           | PSP value as % of salary for: |              |               |
|-----------------------------|-----------|--------------------------------|--|-------------------------------|--------------|---------------|
|                             |           |                                |  | Below threshold               | Threshold    | Maximum       |
| Relative TSR <sup>(1)</sup> | 20%       | Median of the comparator group | Upper quartile of the comparator group | 0                             | 7.5%         | 30%           |
| EPS <sup>(2)</sup>          | 30%       | 37.31p                         | 43.69p                                 | 0                             | 11.25%       | 45%           |
| Cash Conversion             | 50%       | 71%                            | 101%                                   | 0                             | 18.75%       | 75%           |
| Total                       | 100%      |                                |  | 0                             | 37.50%       | 150%          |
|                             |           |                                |  |                               | 25% of award | 100% of award |

- (1) TSR is measured against a bespoke comparator group, with vesting subject to satisfactory financial performance as determined by the Committee. The comparator group for FY19 is: Adecco SA, Kelly Services Inc, Manpower Inc, Page Group (previously Michael Page International plc), Randstad Holdings nv, Robert Half International Inc, Robert Walters plc and SThree plc.
- (2) The Committee took into account the following factors when setting the EPS targets for the award:
- Budget (the setting of which is a robust and transparent process):
    - Company budget for FY19 and the expectations for performance;
    - Strategic direction of the business over the period covered by the PSP award; and
    - Market conditions and visibility of future trading;
  - Analysts' forecasts; and
  - Threshold and maximum ongoing growth expectations for years two and three are set around a fixed range.
- (3) There is a two year Holding Period post vesting for any shares that vest as a result of performance conditions being met.
- (4) The award is subject to Malus for the three-year performance period and Clawback during the two year Holding Period.

The Malus and Clawback provisions are:

- Material misstatement resulting in an adjustment to the audited accounts;
- Incorrect assessment of any performance conditions or award calculations due to an error or misleading information; and
- Fraud and Gross misconduct.

### Shareholding requirements

For FY19 the shareholding requirement for both the CEO and the CFO is 200% of base salary. Both the CEO and CFO already hold above this shareholding – see page 86.

### 4.2 Non-executive directors

The Committee reviewed the Group Chairman's fee during FY18 and determined that it should increase by 2.0% for FY19 from £255k to £260k. This was in line with other increases across the Company. Due to the sudden death of Alan Thomson on 23 July 2018, Andrew Martin was appointed as interim Group Chairman. On 28 August 2018 the Board appointed him as Group Chairman on a permanent basis. The Committee determined that Andrew's fee for FY19 should be set at £220k pa and be payable from the date he became Interim Group Chairman. The Board reviewed the fees for the other non-executive directors (NEDs) during FY18. They determined that their base fee should increase by 2.0% for FY19 in line with other increases across the Company. There were no changes made to the SID fee or Committee Chair fees. There is no fee for being the Chair of the Nominations Committee. All increases were effective from 1 July 2018.

The table below shows the changes.

| Position   | Fee for FY19<br>£000s | Fee for FY18<br>£000s |
|--|-----------------------|-----------------------|
| Late Chairman (A. Thomson) – total fee was prorated for the period 1 July 2018 to 23 July 2018)                                | 260                   | 255                   |
| New Chairman (A. Martin) – fee backdated to 23 July 2018 when he became Interim Chairman. Appointed Chairman on 28 August 2018 | 220                   | n/a                   |
| Base fee   | 57                    | 56                    |
| Committee Chair  | 13                    | 13                    |
| SID  | 11                    | 11                    |

### 4.3 Voting outcome for the Policy and Annual Report on Remuneration FY17 at the 2017 AGM

| Votes          | Votes Policy  | %      | Votes Remuneration Report | %      |
|----------------|---------------|--------|---------------------------|--------|
| Votes for      | 1,015,990,462 | 94.02% | 1,050,951,568             | 97.60% |
| Votes against  | 64,624,371    | 5.98%  | 25,863,641                | 2.40%  |
| Votes withheld | 6,955,822     | –      | 10,755,446                | –      |

## Section 5 – Governance

### In this section:

|            |  |            |  |
|------------|--|------------|--|
| <b>5.1</b> | Remuneration Committee members and attendees | <b>5.4</b> | Advisers to the Remuneration Committee |
| <b>5.2</b> | Terms of reference                           | <b>5.5</b> | Engagement with shareholders           |
| <b>5.3</b> | Meetings in FY18                             | <b>5.6</b> | Considering risk                       |
|            |  | <b>5.7</b> | General governance                     |

### 5.1 Remuneration Committee members and attendees

The table below shows the members and attendees of the Remuneration Committee during FY18.

| Remuneration Committee members | Position  | Comments    |
|--------------------------------|---|-------------|
| Susan Murray                   | Member from 12 July 2017                                      | Independent |
| Victoria Jarman                | Member from 1 October 2011                                    | Independent |
| Torsten Kreindl                | Member from 1 June 2013                                       | Independent |
| Andrew Martin                  | Member from 12 July 2017                                      | Independent |
| Peter Williams                 | Member from 24 February 2015                                  | Independent |
| MT Rainey                      | Member from 14 December 2015                                  | Independent |
| Paul Harrison                  | Chairman of the Remuneration Committee until 15 November 2017 | Independent |
| Pippa Wicks                    | Member from 1 January 2012 to 15 November 2017                | Independent |

| Remuneration Committee attendees | Position   | Comments  |
|----------------------------------|--|---|
| Alan Thomson                     | Former Group Chairman and attended by invitation | Independent upon appointment on 1 October 2010.   |
| Alistair Cox                     | Chief Executive                                  | Attends by invitation but does not participate in any discussion about his own reward.      |
| Other executives                 | The Group Head of Reward                         | Attends by invitation as the executive responsible for advising on the Remuneration Policy. |
|                                  | The Company Secretary                            | Acts as Secretary to the Committee.   |
| Deloitte                         | Committee's independent advisers during FY17     | Attended by invitation.   |

No person is present during any discussion relating to his or her own remuneration.

### 5.2 Terms of reference

The Board has delegated to the Committee, under agreed Terms of Reference, responsibility for the Remuneration Policy and for determining specific packages for the executive directors, the Chairman and other senior executives. The Company consults with key shareholders in respect of the Remuneration Policy and the introduction of new incentive arrangements. The Terms of Reference for the Committee are available on the Company's website, [haysplc.com](http://haysplc.com), and from the Company Secretary at the registered office.

### 5.3 Meetings in FY18

The Committee normally meets at least four times per year. During FY18, it formally met four times as well as having ongoing dialogue via email or telephone discussion. The meetings principally discussed the following key issues and activities:

- Implementation of the new Remuneration Policy;
- A review of the basic pay, bonus and PSP awards of the executive directors and other senior executives;
- Consideration of the relationship between executive reward and the reward structures in place for other Group employees;
- A review of the Committee's Terms of Reference; and
- The review of the Gender Pay Gap reporting.

## ANNUAL REPORT ON REMUNERATION CONTINUED

### 5.4 Advisers to the Remuneration Committee

Deloitte was appointed as the independent adviser to the Committee with effect from November 2016 following a competitive tender process. During FY18 Deloitte has advised the Committee on all aspects of the current Remuneration Policy for executive directors and members of the Management Board.

Deloitte also provided advice to the Company in relation to taxation compliance work and tax advice including transfer pricing work. This work is carried out by entirely different areas and employees within Deloitte and is not felt to be in conflict with the independence and objectivity of the work carried out for the Committee.

The Committee is satisfied that the advice received was objective and independent. Deloitte is a member of the Remuneration Consultants' group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to Remuneration Committees.

Deloitte's total fee for FY18 in relation to Committee work was £96k excluding VAT. While fee estimates are generally required for each piece of work and set fees have been agreed for certain regular work, fees are generally calculated based on time, with hourly rates in line with the level of expertise and seniority of the adviser concerned.

### 5.5 Engagement with shareholders

The Committee seeks to maintain an active and productive dialogue with investors on developments in the remuneration aspects of corporate governance generally and any changes to the Company's executive pay arrangements in particular. Following consultation, the Committee was pleased to have received strong shareholder support for its Remuneration Policy proposals, the Resolution for which received a 94.02% vote in favour at the November 2017 AGM. The Committee will continue to proactively liaise with shareholders and values the constructive and open discussions.

### 5.6 Considering risk

Each year, the Committee considers the executive remuneration structure in the light of its key areas of risk. The Committee takes into consideration whether the achievement of objectives and any payment from plans have taken into account the overall risk profile of the Company when it evaluates the executives' performance.

### 5.7 General governance

The Directors' Report on Remuneration has been prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the revised provisions of the Code and the Listing Rules.

By order of the Board

**Susan Murray**

Chair of the Remuneration Committee

29 August 2018

## DIRECTORS' REPORT

Hays is incorporated in the UK and registered as a public limited company in England and Wales. Its headquarters are in London and it is listed on the main market of the London Stock Exchange.

### Strategic Report

A description of the Company's business model and strategy is set out in the Strategic Report along with the factors likely to affect the Group's future development, performance and position. An overview of the principal risks and uncertainties faced by the Group are also provided in the Strategic Report.

The Statement of Compliance with the Code for the reporting period is contained in the Corporate Governance Statement.

Information relating to matters addressed by the Audit, Remuneration and Nomination Committees, which operate within clearly defined terms of reference, are set out within the Audit, Remuneration and Nomination Committee Reports.

In accordance with Section 414CB of the Companies Act 2006, all of the matters above are incorporated by reference into this Directors' Report.

The purpose of this Report is to provide information to the members of the Company, as a body. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report. Nothing in this Report should be construed as a profit forecast.

### Related party transactions

Details of the related party transactions undertaken during the reporting period are contained in note 26 to the Consolidated Financial Statements.

### Post balance sheet events

There have been no significant events to report since the date of the balance sheet.

### Dividends

An interim dividend of 1.06 pence (2017: 0.96 pence) per Ordinary share was paid to shareholders on 12 April 2018. The Board recommends the payment of a final dividend of 2.75 pence (2017: 2.26 pence) per Ordinary share. In addition, the Board is also recommending the payment of a special dividend of 5.00 pence (2017: 4.25 pence) per Ordinary share. These three dividend payments will represent a total dividend of 8.81 pence (2017: 7.47 pence) per Ordinary share for the financial year ended 30 June 2018. Subject to the shareholders of the Company approving this recommendation at the 2018 AGM, the final and special dividends will be paid, in aggregate, on 16 November 2018 to those shareholders appearing on the register of members as at 5 October 2018. The ex-dividend date is 4 October 2018.

### Financial instruments

Details of the financial instruments used by the Group are set out in notes 18 to 20 to the Consolidated Financial Statements. A general outline of Hays' use of financial instruments is set out in the treasury management section on page 37 of the Financial Review of this Report.

### Directors

Biographies of the serving directors of Hays are provided on pages 52 and 53 of this Report. They all served on the Board throughout the 2018 financial year. Alan Thomson also served on the Board throughout FY18 and until his passing in July 2018. Andrew Martin was appointed as Chairman, initially on an interim basis, and permanently with effect from 28 August 2018.

### General powers of the directors

The powers of the directors are contained in the Company's Articles of Association (Articles). These powers may be exercised by any meeting of the Board at which a quorum of three directors is present. The power of the Board to manage the business is subject to any limitations imposed by the Companies Act 2006, the Articles or any directions given by special resolution of the shareholders applicable at a relevant time.

The Articles contain an express authority for the appointment of executive directors and provide the directors with the authority to delegate or confer upon such directors any of the powers exercisable by them upon such terms and conditions and with such restrictions as they see fit. The Articles contain additional authorities to delegate powers and discretions to committees and subcommittees.

### Directors' powers to allot and buy back shares

The directors have the power to authorise the issue and buy-back of the Company's shares by the Company, subject to authority being given to the directors by the shareholders in general meeting, applicable legislation and the Articles.

### Appointment and replacement of directors

Shareholders may appoint any person who is willing to act as a director by ordinary resolution and may remove any director by ordinary resolution. The Board may appoint any person to fill any vacancy or as an additional director, provided that they are submitted for election by the shareholders at the AGM following their appointment. Specific conditions apply to the vacation of office, including cases where a director becomes prohibited by law or regulation from holding office, or is persistently absent from directors' meetings, or if three-quarters of appointed directors request his or her resignation or in the case of mental incapacity or bankruptcy.

### Directors' indemnities

The Company continues to maintain third-party directors' and officers' liability insurance for the benefit of its directors. This provides insurance cover for any claim brought against directors or officers for wrongful acts in connection with their positions. The directors have also been granted qualifying third-party indemnities, as permitted under the Companies Act 2006, which remain in force. Neither the insurance nor the indemnities extend to claims arising from fraud or dishonesty and do not provide cover for civil or criminal fines or penalties provided by law.

### Directors' interests

Details of the interests of Hays' directors and their connected persons in the ordinary shares of the Company are outlined in the Remuneration Report.

### Share capital

Hays has one class of Ordinary shares which carry no right to fixed income or control over the Company. These shares may be held in certificated or uncertificated form. On 30 June 2018, the Company had 1,464,096,566 fully paid Ordinary shares in issue, of which 12,757,577 Ordinary shares were held in treasury by the Company.

The rights and obligations attaching to the Company's Ordinary shares are contained in the Articles. In brief, the Ordinary shares allow holders to receive dividends and to exercise one vote on a poll per Ordinary share for every holder present in person or by proxy at general meetings of the Company. They also have the right to a return of capital on the winding-up of the Company.

There are no restrictions on the size of holding or the transfer of shares, which are both governed by the general provisions of the Company's Articles and legislation. Under the Articles, the directors have the power to suspend voting rights and the right to receive dividends in respect of Ordinary shares and to refuse to register a transfer of Ordinary shares 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.

### Treasury shares

As Hays has only one class of share in issue, it may hold a maximum of 10% of its issued share capital in treasury. As at 30 June 2018, 0.87% of the Company's shares were held in treasury. Legislation restricts the exercise of rights on Ordinary shares held in treasury. The Company is not allowed to exercise voting rights conferred by the shares while they are held in treasury. It is prohibited from paying any dividend or making any distribution of assets on treasury shares. Once in treasury, shares can only be sold for cash, transferred to an employee share scheme or cancelled. During the 2018 financial year, Hays transferred 8,321,552 shares out of treasury to satisfy the award of shares under the Company's employee share schemes.

### Shares held by the Employee Benefit Trust

The Hays plc Employee Share Trust (the Trust) is an employee benefit trust which is permitted to hold Ordinary shares in the Company for employee share schemes purposes. No shares were held by the Trust as at the year end. Shares held in the Trust may be transferred to participants of the various Group share schemes. No voting rights are exercisable in relation to shares unallocated to individual beneficiaries.

### Dilution limits in respect of share schemes

The current Association of British Insurers (ABI) guidance (responsibility for which now rests with the Investment Association) on dilution limits provide that the overall

dilution under all share plans operated by a company should not exceed 10% over a 10-year period in relation to the Company's share capital, with a further limitation of 5% in any 10-year period on executive plans. The Company's share plans operate within ABI recommended guidelines on dilution limits.

### Major shareholders

As at 30 June 2018, the following shareholders held an interest of 3% or more of the Company's issued share capital:

|                                   | % of total<br>voting rights |
|-----------------------------------|-----------------------------|
| Cedar Rock Capital Limited        | 7.6%                        |
| Baillie Gifford & Co              | 5.9%                        |
| Chainpoint Unit Trust             | 5.5%*                       |
| Columbia Threadneedle Investments | 5.4%                        |
| Marathon Asset Management         | 4.8%                        |
| Majedie Asset Management          | 3.0%                        |

\* At the date of this report, Chainpoint had notified the Company that its holding had fallen below the 3% disclosure threshold.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review, with details of the Group's treasury activities, long-term funding arrangements and exposure to financial risk included in notes 18 and 19 to the Consolidated Financial Statements.

The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments and any proposed dividends. The Group is therefore well placed to manage its business risks.

After making enquiries, the directors have formed the judgment at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

### Articles of association

The Company's Articles may only be amended by special resolution of the shareholders.

### Disclosure of information to the Auditor

So far as the directors who held office at the date of approval of this Report are aware, there is no relevant audit information of which the external Auditor is unaware and each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the external Auditor is aware of that information.

This confirmation should be interpreted in accordance with Section 418 of the Companies Act 2006.

### 2018 annual report and financial statements

On the recommendation of the Audit Committee and having considered all matters brought to the attention of the Board during the financial year, the Board is satisfied that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable. The Board believes that the disclosures set out in the Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

### Annual General Meeting

The Company's AGM will be held at 12 noon on 14 November 2018 at the offices of UBS, 5 Broadgate, London EC2M 2QS.

The Notice of Meeting sets out the resolutions to be proposed at the AGM and gives details of the voting record date and proxy appointment deadline for that Meeting. The Notice of Meeting is contained in a separate circular to shareholders which is being mailed or otherwise provided to shareholders at the same time as this Report.

### Auditor

Resolutions 12 and 13 at the forthcoming AGM will respectively propose the reappointment of PricewaterhouseCoopers LLP as Auditor of the Company and authorise the directors to determine its remuneration. These resolutions will be proposed as ordinary resolutions and shall have effect until the conclusion of the next general meeting of the Company at which accounts are laid.

### Political donations

The Company made no political donations during the year and intends to maintain its policy of not making such payments. It will however as a precautionary measure to avoid inadvertent breach of the law, seek shareholder authority at the 2018 AGM to make limited donations or incur limited political expenditure, although it has no intention of using the authority.

Resolution 14 will be proposed as an ordinary resolution to seek authority to make political donations, and if passed, such authority shall expire at the conclusion of the 2019 AGM.

### Authority to allot shares

At the 2017 AGM, shareholders authorised the directors, subject to the Companies Act 2006, to allot Ordinary shares or grant rights to subscribe for or grant rights to subscribe for or convert any securities into shares without the prior consent of shareholders. This authority expires at the conclusion of the 2018 AGM.

Accordingly, Resolution 15 will be proposed as an ordinary resolution to renew this authority for a period expiring at the conclusion of the 2019 AGM. The directors have no present intention of exercising this authority.

### Disapplication of pre-emption rights

Also at last year's meeting, a special resolution was passed under the Companies Act 2006 empowering the directors to allot equity securities for cash without first being required to offer such shares to existing shareholders. Resolution 16 will seek to renew this authority. If approved, the resolution will authorise directors in accordance with the Articles to issue shares

in connection with a rights issue and otherwise to issue shares for cash up to a specified maximum nominal amount which includes the sale on a non pre-emptive basis of any shares held in treasury.

Resolution 16 will be proposed as a special resolution to renew this authority for a period expiring at the conclusion of the 2019 AGM.

### Authority to purchase own shares

A special resolution was also passed at last year's meeting enabling the Company to purchase its own shares in the market. Resolution 17 will seek to renew this authority. The directors intend only to exercise this authority if to do so would, in their opinion, enhance shareholder value. The Company will have the option of holding, as treasury shares, any of its own shares that it purchases pursuant to the authority conferred by this resolution. This would give the Company the ability to sell treasury shares, providing the Company with flexibility in the management of its employee shares schemes. No dividends will be paid on shares whilst held in treasury and no voting rights will attach to the treasury shares.

The price paid for Ordinary shares will not be less than the nominal value of 1 pence per share and not more than the higher of 5% above the average of the middle market quotations of the Company's Ordinary shares as derived from the London Stock Exchange.

Resolution 17 will be proposed as a special resolution to renew this authority for a period expiring at the conclusion of the 2019 AGM.

### Notice of general meetings

The notice period required by the Companies Act 2006 for general meetings of the Company is 21 clear days, unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days.

At last year's AGM, shareholders authorised the calling of general meetings other than an AGM on not less than 14 clear days' notice and Resolution 18 will be proposed as a special resolution and seeks to renew this authority. The authority granted by this resolution, if passed, will be for a period expiring at the conclusion of the 2019 AGM.

The flexibility offered by this resolution will be used where, taking into account the circumstances, the directors consider this appropriate in relation to the business to be considered at the meeting and in the interests of the Company and shareholders as a whole.

### Recommendation

The directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

By order of the Board

### Doug Evans

Company Secretary

29 August 2018

## 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgments 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 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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

Each of the directors, whose names and functions are listed in Governance Report confirm that, to the best of their knowledge:

- The Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Strategic 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.

By order of the Board

**Alistair Cox**  
Chief Executive

**Paul Venables**  
Group Finance Director  
29 August 2018