



# STRATEGIC REPORT

## OUR BUSINESS MODEL

Our revenue model is relatively simple: we earn a percentage fee, usually on a contingent basis, when we successfully place a candidate in a role with a client.

Our delivery model is based on deep industry expertise across Temp, Contracting and Perm recruitment markets. Our consultants are long-term, trusted partners to both clients and candidates. They are equipped with the best technology, tools and data analytics in the industry.

We focus on net fees rather than turnover, most of which is simply the 'pass through' of Temp salary. Our ability to convert net fees into operating profit (our 'conversion rate') is our key profit metric. At 22.7%, we have one of the highest conversion rates in the industry.

Group net fees drive our operational leverage, given high levels of incremental profit 'drop-through'. Our business is also highly cash-generative, with relatively low capital requirements.

# OUR INVESTMENT CASE

Our business philosophy balances the need to invest to support long-term growth with driving shorter-term financial performance.

In practical terms, this means we continually focus on: consultant and business productivity; strategic investment where we see clear opportunities for profitable growth; cash generation and returns to shareholders. We believe there are four simple and compelling reasons to invest in Hays.

## 1. Our business model breadth across sector and contract type

- We have built a global recruitment platform with unrivalled scale, balance and diversity.
- We are positioned across Permanent, Temporary and Contractor markets, at a scale unique amongst our peers.
- c.60% of net fees are in non-Perm white collar recruitment, a structural growth area. We are market leaders in Flex working.
- We focus on execution in each of our local markets, delivered by the best people, sector-leading technology, recruitment tools and our world-class brand.
- We have strong and experienced operational and senior regional management teams across the Group.
- We focus on developing and delivering the best services and products for clients and candidates, meeting their evolving needs.

Specialisms

20

Countries

33

## 3. Our ability to deliver superior financial performance through the cycle

- Our scale and balance adds relative resilience to earnings through the economic cycle. This contributes to the out-performance of our business versus peers.
- Non-Perm recruitment tends to be less cyclical than Perm. Candidate assignments can extend up to 12 months, giving some 'run-rate' net fee visibility. By giving clients access to high quality, flexible talent, we help them replace fixed costs with variable.
- We remain focused on further diversifying our earnings and building scale across our existing global platform.
- In FY18 we completed our 2013 five-year plan, and set out our 2022 profit and cash aspirations at an Investor Day in November 2017.
- Having exceeded £243 million of operating profit in FY18, we believe we are well positioned to drive further material profit growth, in line with our 2022 plan.

Operating profit

£243.4m

Earnings per share

11.44p

## 2. Our balanced exposure to both mature and structural growth markets

- Many of the 33 countries across our global platform represent clear structural growth opportunities, where the use of agencies such as Hays to source skilled employees is a relatively new practice.
- 54% of our Group net fees are generated in these structural growth markets which include places such as Germany, France, Latin America and Asia, where the first-time outsourcing of the recruitment of skilled staff is a key long-term opportunity.
- The remaining 46% of net fees come from more mature markets, such as the UK, the US and Australia, where the use of agencies is a long established practice in the skilled jobs market. In these markets, activity levels are more driven by the stage of the economic cycle.

Group net fees

54%

Structural growth markets

46%

Mature/cyclical markets

## 4. Our potential to generate significant cashflow and dividends

- In addition to driving material profitable growth, we are a highly cash-generative business, with a clear set of free cash flow priorities.
- These include ongoing investment in the development of the business, maintaining a strong balance sheet and delivering a sustainable and progressive dividend.
- Our core dividend cover is at the upper end of our targeted 2.0-3.0x range, providing resilience. Core dividend up 18% in FY18.
- We ended the year with a net cash position of £122.9 million. As previously disclosed, it is our intention to distribute to shareholders any free cash flow generated over and above £50 million, assuming a positive economic outlook.
- Therefore, in addition to a material increase in our core dividend, we also propose a special dividend of 5.0 pence per share, subject to shareholders' approval.

Net cash

£122.9m

Core dividend per share

3.81p

Note: unless otherwise stated all growth rates discussed in the Strategic Report are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of continuing operations at constant currency.

# THE GLOBAL JOBS MARKET

Hays is at the centre of people building their careers, and companies finding the talent to grow and develop. In 2018, globally we helped over 320,000 people find their next Permanent job or Temp assignment, and worked with over 30,000 clients to find the skilled talent they need to grow. This is the core of our business.

How we do this is evolving. People are choosing to work in new ways, and are using new technologies to access the job market. We are therefore embracing and developing technology to match candidates with clients' roles faster than previously possible. For example, our "Find and Engage" model and Hays' Approachability Index sit at the heart of our process (see page 12). What remains constant is the art of placing the right person in the right job, and our belief in how megatrends are shaping tomorrow's employment market and career styles.

## Australia & New Zealand

- Overall business confidence levels remain high in Australia as the economy continues to benefit from public and private sector investment
- Broad-based growth across sectors and states
- Private sector growing faster than Public sector

The macroeconomic picture in Australia remained strong as the year progressed. This was supported by ongoing private sector investment, and continued State and Federal government spending on large public infrastructure projects.

Consumer confidence remained strong and stable, despite concerns over an overheated residential property market, along with moderate wage inflation and rising cost of living. Resource-driven parts of the economy continued to recover.

[Find out more on page 29](#)

## Germany

- Economic conditions remained supportive
- Much of our growth is from first-time client outsourcing to specialist recruitment agencies, such as Hays
- To date, minimal impacts from trade tariff changes

Conditions in Germany were strong and supportive during the year. As with the rest of Europe, sentiment has not been impacted by the UK's decision to leave the European Union. Labour markets remain strong, with skill shortages accentuating the need for greater flexibility in skilled labour. European Central Bank monetary policy remains accommodative, helping consumer and business confidence.

To date, we have not seen any material adverse impact from the ongoing escalation of trade tariffs. However, we are watching the situation closely.

[Find out more on page 30](#)

## UK & Ireland

- Sentiment remains uncertain, but broadly stable
- Limited client appetite for major investment projects
- Political situation remains uncertain pending clarification of future trading with the EU

The UK has seen reduced levels of large capital investment projects, particularly in the private sector. This has restricted the parts of our markets exposed to new growth projects. On the plus side, candidate confidence remains solid and employers continue to replace leavers.

Although sterling remained stable in FY18, its devaluation post the Brexit vote continues to translate into higher inflation. Coupled with low levels of wage growth, this has impacted consumer spending.

Ongoing UK political instability adds uncertainty to the Brexit negotiation process with the European Union.

[Find out more on page 31](#)

## Rest of World

- Strong conditions across virtually all of our 28 markets
- Skill shortages prevalent across technical and professional specialisms
- Some signs of wage inflation, particularly in the USA, and parts of Asia

Conditions across Europe excluding Germany remained strong through the year, with clients looking to invest and candidates willing to move jobs.

Asia delivered excellent overall performance, with tight labour markets and skill shortages in most markets.

We saw excellent progress in the Americas, notably the USA and Canada. Demand was particularly strong in our Technology specialism, across both Temp and Perm contracts, and also the Construction sector.

[Find out more on page 32](#)

In FY18 we helped over

# 320,000

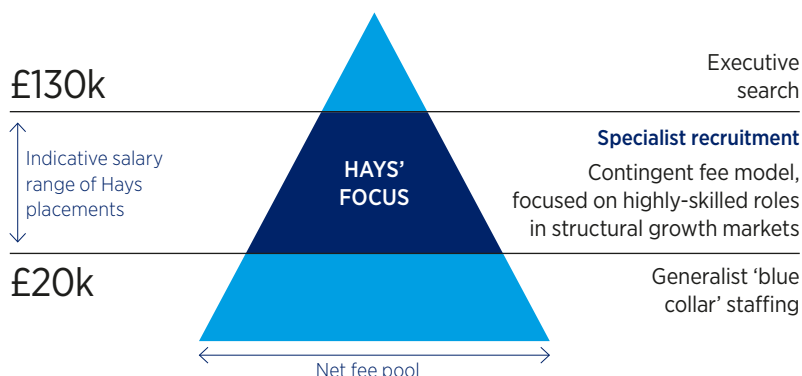
people find their next Permanent job or Temp assignment

We helped over

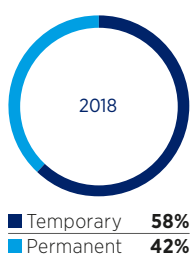
# 30,000

clients find the skilled talent they need

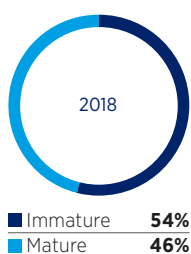
### The global recruitment market



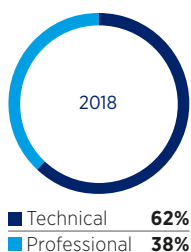
### Contract type



### Market exposure



### Net fees



### The competitive environment

**We are leading global recruiting experts, focusing on the segment of the recruitment market referred to as 'white collar' skilled or specialist recruitment. The salary of the candidates we place ranges from circa £20,000 to £130,000 p.a.**

We operate across 20 different areas of specialism, with over 60% of our net fees in white collar 'Technical' disciplines such as IT, Life Sciences, Engineering and Construction & Property. The balance comprises Professions such as Accountancy & Finance, Legal and HR.

Our business is balanced between Temp and Perm. Flexible working, which encompasses our Temp and Contracting markets, represented 58% of net fees in FY18, with Perm delivering 42%.

The competitive landscape across most of our markets is characterised by a large number of companies, often very small and focused on local, niche markets. There are also a few large global players.

Despite the fragmented nature of our industry, in the majority of markets, the main competition we face is from in-house recruiting teams within corporate HR functions. Yet, our relationship with in-house HR teams is often symbiotic, as they are frequently our largest clients.

We estimate that in more mature markets like the UK or the US, around 80% of addressable skilled jobs are filled via recruitment agencies. In less mature markets like Germany and parts of Asia, our analysis suggests this figure is only around 25%. First-time outsourcing of professional recruitment is therefore a key structural growth driver in many of our markets.

The main UK-listed specialist recruitment businesses we identify are PageGroup, Robert Walters and SThree. Each has different exposures and business mix, but do have a presence in many of the markets in which we operate.

Hays has greater scale advantages, particularly in some of the more technical recruitment markets such as Construction & Property, and in structural-growth markets like Germany.

We also identify other competitors across each of our local markets. These include larger 'generalist' recruiters like Adecco, Randstad and Manpower, who have some operations in the specialist recruitment space, but are predominantly focused on the lower-salary 'blue collar' segment of the market. There are also sector or region-specific businesses such as KForce in the US, or Amadeus FiRe in Germany.

We have deliberately built a balanced business exposed to mature, cyclical markets and structurally emerging markets. In FY18, 54% of our net fees were generated in immature markets, with 46% in more mature markets. This compares to 17% and 83% respectively 10 years ago.

Immature markets face significant structural growth opportunities, and are less impacted by the economic cycle. We believe our balanced exposure to Temporary, Contractor and Permanent recruitment, combined with genuine scale across 20 specialist areas in 33 countries, is unique in the specialist recruitment space. This adds relative resilience to our business through the cycle, and is a genuine differentiator in our industry.

In FY18 58% of our fees came from the Temp and Contracting market, weighted towards three countries where Hays is market-leader: Germany, Australia and the UK. In most other countries in the Group we have historically been predominantly Perm-focused.

Where market conditions and local legislation have allowed, we have successfully been pursuing a strategy to build meaningful Temp and Contractor businesses. Temp now represents one-third of net fees outside our three core markets.

# INDUSTRY MEGATRENDS

Megatrend 1

## MORE AND VARIED WAYS OF BUILDING A CAREER

For many skilled candidates, the ‘job for life’ mentality is ending. There is an increasing appetite to embrace flexible, project styles of working. Candidates are seeking interesting, and often highly paid, Temp and Contractor roles, as they build ‘portfolio’ careers. In addition to gaining new experience and improving their marketability, Temp and Contracting gives candidates the flexibility to take prolonged vacations, or voluntary career breaks.

Non-Perm markets are becoming an increasingly important part of many of our businesses.

The rise of digital economies is driving the creation of new job types in niche areas. It is also enabling greater mobility of experienced workers, who can provide their skills as independent Contractors on a more flexible basis.

This, in combination with less restrictive legislation in many countries, is why we believe Contracting is a key structural growth market and has become one of our fastest-growing sources of net fees.

### What this means for us

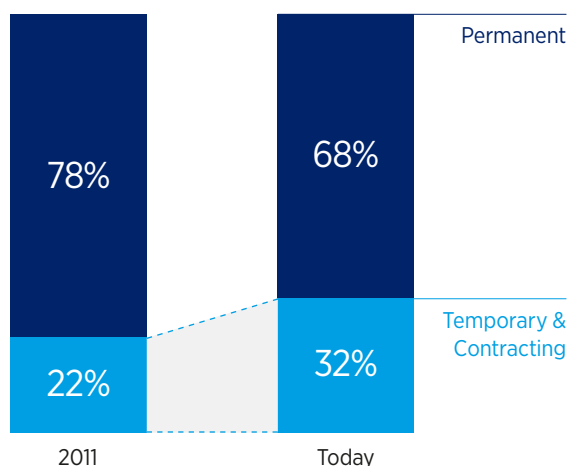
We have made further strategic progress rolling out our market-leading Contracting business, both into newer specialisms in Germany, and to other markets where we believe the model will be successful. This is particularly so in our RoW division, which includes markets like Canada, Benelux, France and Japan. When coupled with our established IT Contracting business in the USA, we are at the forefront of this evolving market trend.

We now have more than 70,000 Temps and Contractors on assignment around the world.

Despite this, the overwhelming majority of skilled roles in our markets are in traditional Perm positions. Although they are growing, non-Perm penetration rates in white collar roles remain in the single digits. However, given strong appeal to both employers and white collar candidates, we believe this part of the specialist recruitment market is seeing structural changes. We think high-skilled Temp and Contracting will become an increasingly important element of modern workforces.

Our aim is therefore to build further scale to offer a truly globally integrated service, capitalising on increased candidate mobility and rising non-Perm market penetration rates. This will allow us to leverage cross-border client relationships.

Rest of World net fees



FY18 Temp & Contracting roles placed

**244,000**







“The projects Hays offered have been an excellent match for my profile, experience and lifestyle. After 10 years of working together, our relationship is based on trust, and a knowledge that Hays can give me access to an unrivalled pool of flexible senior finance project work. If a project needs to be extended, or if I choose to take some extended leave out of the marketplace, my consultant has handled this in a highly professional manner. I am very enthusiastic about working with Hays in the future on interesting, challenging and financially rewarding projects.”

### Contracting in senior finance: A candidate's journey

**In 2018, Accounting & Senior Finance was one of the fastest-growing specialisms in our market-leading German business, growing net fees 49%.**

Part of our success in Germany has been the roll-out of our IT Contracting model into other specialisms, capitalising on the emerging trend for flexible project-based work in these markets.

Michael Rupe is a Senior Finance Manager, with professional specialisms in annual financial statement preparation, reporting system changes and International Accounting Standard compliance.

We have worked with Michael since 2008, placing him in over ten different Contractor roles across a mix of multinational corporations and German ‘Mittelstand’ companies.

In opting to pursue a portfolio career, Michael has gained a variety of new skills and experience, making him a more marketable candidate. It also allows Michael to work flexibly and take substantial holidays between roles, creating time to pursue his hobby of Alaska long-trail dog sled racing during winters.

Towards the end of each project, we meet Michael to discuss his future plans, ambitions and availability. We then use our unrivalled flow of project work to match his skills with suitable assignments, helping him structure the next leg of his career.

“Having worked in permanent roles in several companies, my choice to become a high-skilled Flex worker was a strategic one. The rewards, both financially and in terms of stimulating projects, have been excellent. My relationship with Hays has been invaluable in terms of advice, administration and most importantly a flow of interesting future work. I look forward to completing more projects with them as my career evolves.”



### Contracting in IT: A candidate's journey

**The successful integration of Veredus into Hays North America, with its proven flexible working model, saw growth accelerate sharply in 2018. Information Technology net fees in the US grew by 17%, and is our largest specialism in both US Perm and Contracting.**

Yvette Urso is a Senior IT Program and Project Manager, based in Tampa. She is an expert in managing complex IT projects in a variety of industries. We have worked with Yvette since 2004, placing her in six interesting and challenging long-term Contractor roles, across a variety of industries.

Many corporates choose to structure IT investments by specific projects, using a significant amount of flexible, high-skilled labour. Yvette's decision to use her experience to build her career as a specialist Contractor has allowed her to increase her earnings. As a Contractor, you can be paid for each hour of work.

Contracting allows Yvette to be compensated for her actual working week, not just a fixed period. She also gains greater multi-sector experience, which ultimately increases her marketability.

Yvette has a strong relationship with her Hays consultant in Tampa, who engages as each project matures, helping Yvette find the best contract to satisfy her career aspirations.

## Megatrend 2

## SKILL SHORTAGES AND BUSINESSES' DEMANDS FOR FLEXIBILITY

**Our clients increasingly need to add flexibility to their skilled workforce. In doing so, they can respond to fast-changing market conditions, accessing the skilled labour they need, precisely when they need it. They can also convert a traditionally fixed employee cost into a variable expense.**

Employing skilled people on a contract or project basis injects greater cost base flexibility. Also, by adding highly skilled specialisms in a particular role, the employer increases the potential for excellent execution.

Accordingly, for a growing number of businesses, Contract and Temporary workers make up an increasingly important part of their skilled workforce.

### What this means for us

In a progressively skill-short world, our role acting as the intermediary to source highly skilled, compliant contractors is becoming ever more important.

Our strong relationships with highly skilled non-Perm workers enables our clients to tap into scarce talent pools of flexible workers, helping manage and shape their white collar Temp and Contractor workforces.

We are also experts in helping clients find the best cultural fit for their organisation.

We see our non-Perm business as a repeatable and high-value source of earnings, more resilient to the cycle. Our clients increasingly view Hays as the go-to experts, helping interpret and manage the risks and obligations that are essential in managing a contingent workforce.

This means that we are continually growing market share in places like Germany, as well as establishing new client relationships across Europe, Asia and the Americas. We bring the expertise of our existing Temp and Contractor businesses, and offer our clients clarity in what is a difficult and a complex area, helping them navigate intricate flexible working regulations as they evolve.

Temp %  
of net fees

**58%**

Technical %  
of net fees

**62%**

### Our resilient model offers balance between Temporary & Permanent contracts, and between Technical & Professional specialisms

Recruitment type	
<b>Temporary &amp; Contracting</b> <ul style="list-style-type: none"> <li>Respond quickly to changing market conditions</li> <li>Swap fixed employee costs for variable</li> <li>Provide rapid access to talent</li> <li>Highly compliant yet highly flexible</li> </ul>	<b>Permanent</b> <ul style="list-style-type: none"> <li>Insight into candidate approachability</li> <li>Efficient outsource given our fees are contingent</li> <li>Deep industry specialism</li> <li>Access wider talent pools</li> </ul>
58%	42%
% of group net fees	
62%	38%
<b>Technical</b> <ul style="list-style-type: none"> <li>Jobs are driven by client-led investment rather than a candidate's decision to move</li> <li>Industries characterised by skill shortages</li> <li>Higher proportion of emerging and new job roles</li> <li>Increasing propensity towards Flex working</li> </ul>	<b>Professional</b> <ul style="list-style-type: none"> <li>Candidate-led process</li> <li>Usually higher salary</li> <li>Scope to infill into new geographies</li> <li>Approachability Index adds competitive edge</li> </ul>
Specialism type	



“Hays is a trusted partner of Computacenter, integral to our workforce strategy. Hays allows us to maintain a flexible, effective workforce and ultimately helps us ensure delivery to our clients,” said Andy Moffitt, Group Head of Professional Services at Computacenter

“We depend on Hays to source local talent with market-leading skills in a range of locations. Their knowledge of our business has made for an efficient and productive recruitment process. We are pleased to be continuing to build our partnership and are excited about the future.”

### **Delivering flexible workforce solutions for Computacenter**

Hays has worked with Computacenter since 2009, initially helping them manage their contingent labour force via a Managed Service Provision (MSP) contract. In 2010, our service was expanded to include a Recruitment Process Outsourcing (RPO) element, making us the provider of all talent to Computacenter within the UK.

Our contract has evolved and been extended, most recently in July 2018, and the Computacenter relationship is one of our longest MSP and RPO services. It is a relationship based on delivery, honesty and an absolute commitment to continuous improvement.

As a leading provider of IT infrastructure services, Computacenter is a global business with a requirement for the best talent in a number of competitive markets.



## Megatrend 3

# STRUCTURAL MARKET GROWTH AND EVOLVING CLIENT DEMANDS

Most professional recruitment around the world is still done by in-house HR teams. This is true across mature and emerging economies, although both are increasingly opening up to the concept of outsourcing specialist recruitment.

We continue to observe a shift, mainly among large corporates, towards centralised procurement. Our services must be tailored to these different client needs, whether it is first-time outsourcing or providing different specialist recruitment delivery models.

## What this means for us

We have scale in both mature, cyclical markets and less mature, structural-growth markets. We have been building a strong presence in markets like Germany which, despite being a highly developed economy, has a low but rising penetration rate when it comes to the outsourcing of recruitment services for skilled, professional roles.

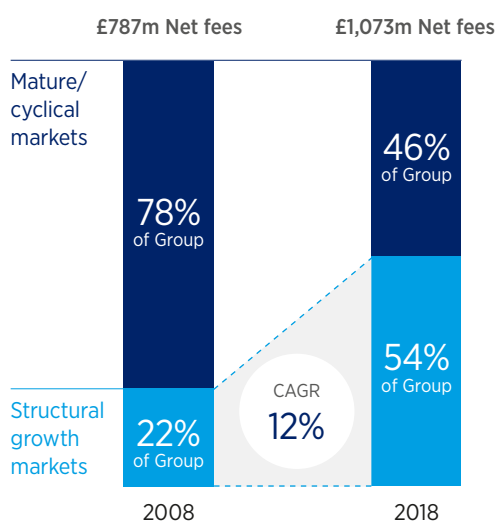
Even as market leader in Germany, we still see many growth opportunities as more businesses outsource their recruitment of skilled labour. We estimate a significant amount of our growth in recent years has come from such first-time client outsourcing. A similar trend also exists in many of our RoW markets of Asia and parts of Europe. By capitalising on these structural trends, our growth is not solely dependent on economic cycles.

We also tailor our services to meet specific company needs, adapting to new business practices and client requirements such as centralised procurement. We have developed hub-like delivery models that match our clients' needs for efficient recruitment processes at scale, in the most effective and appropriate way.

Hays' main example of this is our Managed Service Provider (MSP) offering. We use our scale, infrastructure and deep candidate pools to manage Temp and Contract workforces on an outsourced basis. Often, such contracts are managed on-site at clients' locations, or from lower-cost Hays regional or international offices.

While there is a balance between the net fee rates earned on large contracts and higher transaction volumes, we are highly disciplined in how we structure the cost base on each contract to ensure that our contribution margins remain in line with Group conversion rates.

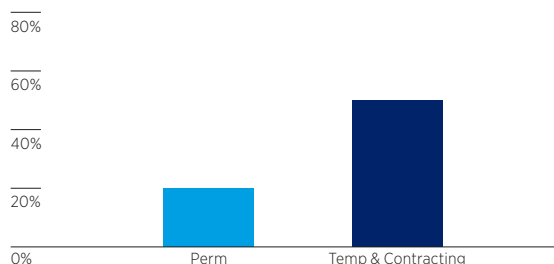
Over half of our business today is in the world's best structural-growth markets



We also offer some Recruitment Process Outsourcing (RPO) services, albeit on a smaller scale than MSP. In RPO, we manage all Permanent recruitment processes on behalf of clients. Together, these MSP and RPO services sit under our Hays Talent Solutions business, and represent c.15% of our net fees.

Our ability to deliver high quality MSP and RPO services to our clients is closely linked to our use of technology, and investment in developing tools to provide first-class, large-scale HR services. For example, to help clients of any size track all aspects of their contingent workforce, we offer technology solutions like our 3 Story Software, a cloud-based vendor and workforce management system.

## Outsourcing levels of skilled recruitment in Germany<sup>(1)</sup>



(1) Hays Management estimate.

Germany net fee CAGR since 2003

## 20%

Germany net fees by specialism



RoW net fee CAGR since 2007

## 16%

RoW net fees by specialism



“First-time outsourcing is common to our growth in both Germany and RoW, driving significant growth for Hays.”

### Structural growth in Germany and RoW

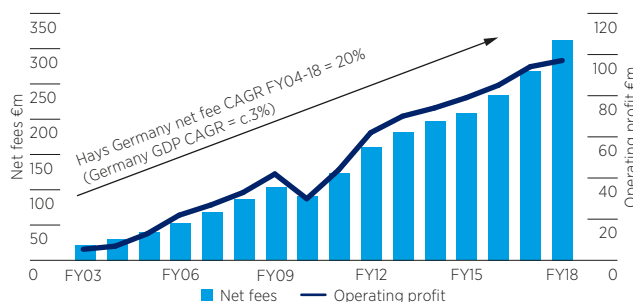
While Germany is predominantly a Temp/ Contractor market, and RoW is mainly in Perm recruitment, we see considerable similarities. Both are immature markets with low levels of outsourcing to specialist agencies, and both are characterised by skill shortages. Hays’ position as a trusted platform to broker the link between white collar talent and employers means we see substantial structural growth opportunities.



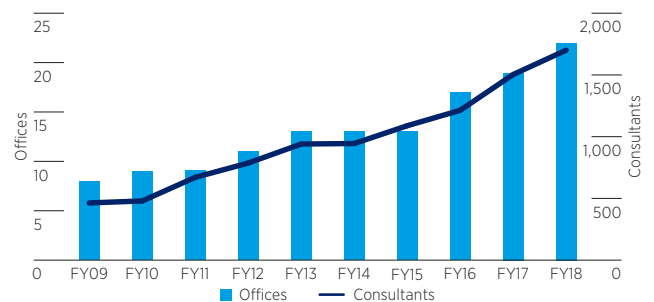
The Germany business we acquired in 2003 has delivered c.20% CAGR in net fees since then. From one specialism and €3 million operating profit in 2003, we delivered €97 million across nine specialisms in FY18. We have a truly market-leading business, in a market which is structurally under-penetrated.

Similarly, our RoW division has gone from a loss of £3 million in FY13, to operating profit of £41 million in FY18, with net fees growing at 15% CAGR. First-time outsourcing is again a substantial opportunity for Hays in RoW. We are seeing excellent profit leverage as our 28 RoW countries gain maturity and scale. With 99 offices in RoW, and scope to increase our number of specialisms, we are optimistic about future growth opportunities.

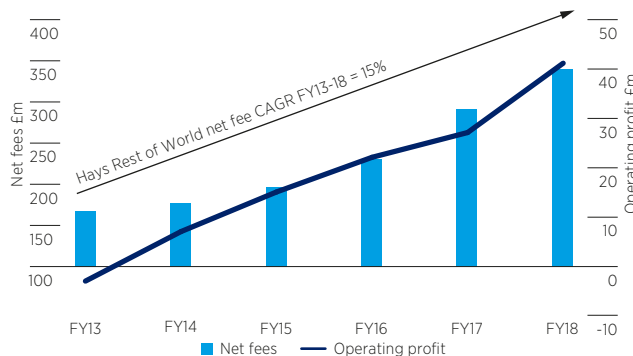
Historical profile of Hays Germany



Historical profile of Hays Germany



Historical profile of Hays Rest of World



## Megatrend 4

# EMERGENCE OF NEW, AND EVOLVING, TECHNOLOGIES

Technology is transforming how people work. It is revolutionising how clients and candidates engage and interact with job markets, and with Hays. Almost every area of recruitment is becoming digitally enabled at a breathtaking pace, creating vast quantities of valuable data.

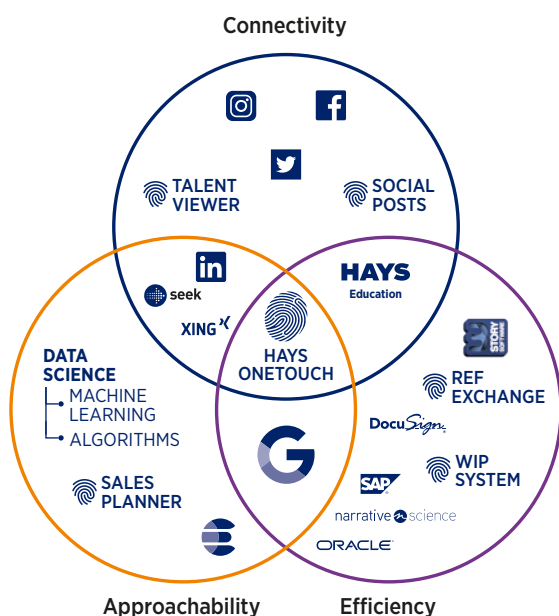
## What this means for us

The guiding principles of our technology strategy are:

- 1) Maximise internal efficiency by developing new consultant tools, and partner with best-in-class software;
- 2) Test new client and candidate engagement channels;
- 3) Invest selectively in best-in-class HR Tech software;
- 4) Investigate new tech-enabled delivery models.

This approach is summarised in three broad prisms:

**Approachability, Connectivity and Efficiency.**



**Efficiency** remains our overriding goal. We estimate that 1% gained via productivity is worth c.£8m to Hays' operating profit, and productivity drove c.40% of Group profit growth between 2013-18. We have sector-leading technology, both via internally developed tools and collaborations with leading third parties. Our expert Hays Innovation team is tasked with assessing the technology landscape, identifying new trends, opportunities and threats and building relationships with key players.

In FY18, we made excellent progress, notably with the roll-out of our 'SalesPlanner' and 'WiP' tools, further development of the Hays Hub, and our collaborations with Google, Mya and Stack Overflow.

**Connectivity** relates to the many and evolving ways clients and candidates interact with Hays. Central to our philosophy is recognising and quickly responding to these trends, allowing us to cultivate, deepen and enrich our candidate talent pools. Increasingly, technology enables us to anticipate clients' demands before they arise.

We received 10.6m job applications in FY18. To avoid diseconomies of scale, our consultants need to be equipped with the best technological tools to search this complex and ever-increasing bank of data.

Sifting through huge quantities of candidate data is relatively simple. The harder part is accurately predicting **Approachability**, identifying which candidates are likely to respond positively to our direct approach.

This alignment of Hays' deep IT and data capabilities – the 'science' of recruitment, with our consultants' deep industry expertise, or the 'art' of recruitment – will be a key competitive edge in the future.

This forms the basis of our '**Find & Engage**' model.

'Find & Engage' takes our ability to engage with Active and Passive talent pools, enabling us to deliver what was once viewed as high-end 'head hunting', to many more white collar candidates, at scale. Our aim is to extrapolate meaningful data patterns, feeding directly into Hays' unique '**Approachability Index**', summarised opposite. This index is currently fully functional for just over half our businesses, and due to be completely available across the Group by early 2019.

Our system uses many inputs and algorithms to gauge how open to an approach a potential candidate is likely to be. By understanding approachability signals, our ability to convert ostensibly passive candidates into active is significantly increased. Once overlaid with a trusted Hays consultant relationship, we gain a vital competitive edge.

Our content engagement tools are also built to nurture strong candidate relationships by providing highly relevant industry, salary and training insights. Our implementation of Salesforce Marketing Cloud further enhances this engagement capability. We continue to generate significant value from our partnerships with Google, LinkedIn, SEEK and Xing. These allow us to analyse complex user data in real time, gaining invaluable insight into candidates' skills and career ambitions.

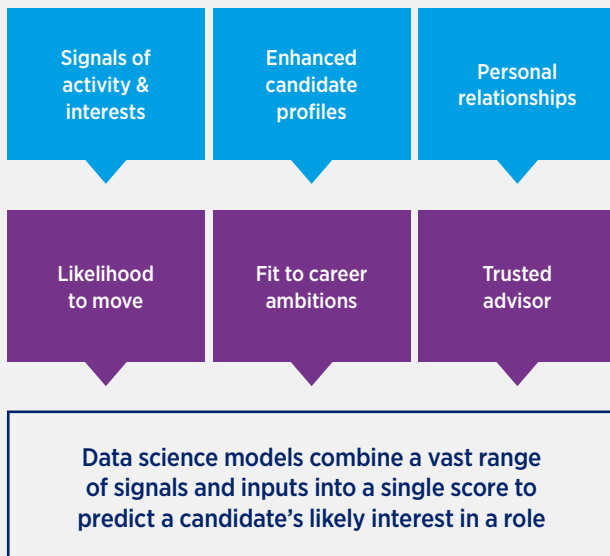
Hays FY18  
website hits

**65m**

FY18 Job  
applications

**10.6m**

### The Hays Approachability Index: Predicting candidates' likely interest in a role

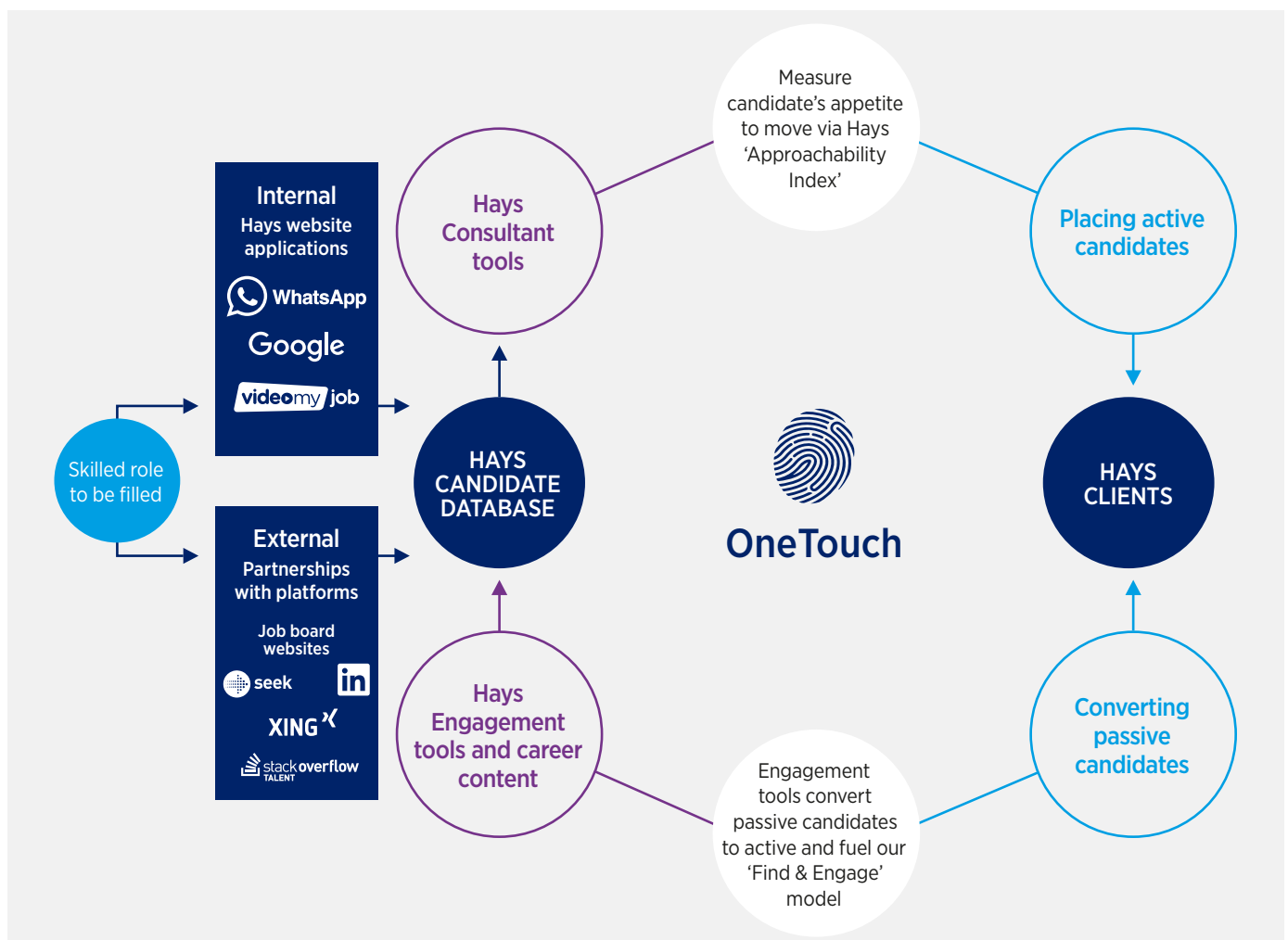


### Technology and a candidate's path

Our technology helps us to power the world of work, and find the best candidates for a role, faster than our competition. The chart below represents the process of interaction between our active candidate pool, passive candidates and our client base, as we seek to find 'great-rather-than-good' matches between the two.

Candidates are added to the Hays database via our expert consultant network, and via external sources like Xing, LinkedIn, a wide array of job boards, or directly via the Hays website. Once in our ecosystem, we work hard to ensure the talent pool remains highly engaged, using content such as Hays' Salary Guide and Journals, training and career advice plus our regular blogs and podcasts.

The Hays Approachability Index gives us the proprietary ability to access candidates who may otherwise appear to be 'passive'. This is a major competitive advantage versus peers, and also a compelling reason for clients to outsource to Hays.







“We exceeded £1 billion of net fees for the first time, driven by our International businesses which grew 15%.”

# CHIEF EXECUTIVE'S REVIEW

**Our Chief Executive, Alistair Cox, discusses the Group's performance in 2018 and looks ahead to our areas of focus and development in the future, including our next five-year plan.**

**Q. How do you feel Hays performed in 2018?**

**A.** Before I talk about our performance, I would like to pay tribute to our Chairman Alan Thomson, who sadly passed away in July 2018. Alan had been our Chairman since November 2010 and was deeply passionate about Hays, helping many people in the organisation reach their full potential. He was instrumental in building a strong Board, one well-equipped to help me drive the business forward. I will greatly miss his guidance, wisdom and humour.

He was a man of integrity and humility, and the best tribute I can pay to Alan is to ensure his values endure in Hays' culture.

Andrew Martin, our new Chairman, was brought onto the board by Alan in 2017 and brings a wealth of experience to help us guide the business forward.

Turning to our performance, I am delighted by our progress through FY18. Net fees grew by 12% and we exceeded £1bn of net fees for the first time, driven by our International businesses which grew 15%. Overall, our International profits grew 16% to £196.4m, setting another new record level.

We delivered £243.4m of operating profit, slightly ahead of market expectations, and our conversion rate improved by 50bps. Cash performance was strong, and we ended the year with £122.9m net cash, enabling the Board to propose a second successive special dividend, of 5.0p per share, on top of a core dividend which itself was up 18%.

This year we moved to a four-division reporting structure, giving greater visibility of our Australia and New Zealand (ANZ) businesses (previously within APAC), and Germany, our largest business, which we report separately for the first time.

Germany grew 16% and we further reinforced our position as the number one player in that market. We opened four new offices and increased our headcount 13%. I remain of the view that Germany is the most exciting recruitment market in the world today, driven by acute skills shortages and the structural opening up of that market to specialist recruitment services.

ANZ had a strong year, driving highly profitable growth at roughly double the market rate – no mean feat given we are faraway the market leader in that important market.

Our RoW businesses were in many ways the stand-out performers, delivering an excellent year with profit up 51%. The investments we have made in these businesses in recent years are now driving strong leverage and real momentum in Asia, the Americas and Europe ex-Germany. We continue to see structural growth in many countries via first-time outsourcing, which gives me great confidence for our future.

Back in the UK, the market remained subdued but stable pending clarification of trading arrangements with the European Union post Brexit. With that challenging backdrop, we delivered a good profit performance, up 13% in a difficult market.

Turning to uses of our cash flow, my first priority is always to re-invest in the business and in 2018 we made significant investments in people, property and infrastructure. We grew headcount by 8% globally, opened seven new offices and materially expanded 20 others. We further enhanced our back- and front-office systems around the world, ensuring we have the infrastructure and capacity to continue to grow in these supportive markets.

However, given our highly cash-generative model, even after these significant investments, we ended the year with net cash of £122.9m.

Therefore, in line with our policy, I am delighted that we are able to propose increasing our core dividend by 18%, and our second special dividend of £72.9m. This takes total dividends proposed and paid for FY18 to £128.4m, up 19% from £108.2m last year.

**Q. You have just successfully completed the five-year plan launched in 2013, growing profits by almost 100%, and have set the Group another ambitious profit range for the five years to 2022. Given you have such limited visibility on earnings, how do you ensure such targets are credible?**

A. I am very proud of the outcome of our 2013 strategic plan. When we initially set out our goal to broadly double profits by 2018, it's fair to say most commentators were sceptical that a business with only 5-6 weeks of net fee visibility could deliver against such ambitious long-term plans. Remember, we were still in the aftermath of the global commodities collapse, uncertainty surrounding the Euro crisis was fresh in the memory and the Brexit referendum was not yet on the agenda.

Despite all these major uncertainties, we still delivered £243.4m of operating profit in FY18, even in a year of heavy investment. I think that is testament to our deep operational capability in each of our 33 businesses and the granular detail which underpinned our planning.

Every year since 2013, we have reported our key markets of Australia and New Zealand, Germany, UK & Ireland and Rest of World under a 'traffic light' system against our original targets. Not only did we deliver a Group result in line with our original ambitions, but each of our four regions also delivered an outcome within their original range.

RoW delivered an excellent result, above the top-end of its range. ANZ delivered its mid-point. The UK & Ireland, despite the material impact of the Brexit vote on the market, still came in within the targeted range.

In Germany, we delivered a profit towards the bottom-end of our 2013 plan range. However, we took an important strategic decision around 18 months ago to significantly increase investment in Germany, as we see the opportunity to potentially double that business in the next five years. That's an exciting prospect, especially given we see structural growth potential which extends well beyond our 2022 plan. Our investment clearly reduced near-term profits, but I consider that a fair trade-off given the opportunity.

So having delivered on our promises in the original 2013 plan, we will follow the same course in our 2018 plan, which we presented to shareholders and analysts at our Investor Day in November 2017. As with 2013, our aim is to balance profitable growth and investment.

Most of our markets are currently supportive. Assuming this continues, with no significant downturns in our major markets over the plan period, and with excellent structural growth opportunities in many of our markets, it is our aim to broadly double our profits again over the five years to 2022.

In the UK, we have assumed a continued uncertain economic backdrop, with a Brexit transition period beyond March 2019 and a reasonably orderly exit from the European Union.



Our 2022 plan was presented at our Investor Day in London in November 2017.

“Since 2015, our Germany headcount is up over 50%, and we have opened nine new offices as we expand our footprint.”

**Q. How would you characterise 2018 financial and operating performance in the context of the 2022 plan?**

A. We made a strong start, with net fees and profits slightly ahead of the required CAGR trajectory to hit the 2022 plan. It was always our intention to hit the ground running, with significant initial investment meaning that profit drop-through rates in year one would be at the lower end of where we aim to deliver throughout the plan.

Yet despite these investments, I am pleased we still delivered a 50bps improvement in Group conversion rate to 22.7%, one of the best conversion rates in the industry. Should macro conditions remain similar this year to last, I am optimistic we will see further strong progress in FY19, the second year of our plan.

To reinforce growth, we have spent significant time aligning our management teams around the world to the Group plan, as well as developing local plans.

Needless to say, explaining the story of our potential has brought its own benefits internally, particularly as colleagues see for themselves the career opportunities that will avail to them at Hays.

**Q. Aside from financial performance, what were your strategic highlights in 2018? Any 'low-lights'?**

A. Apart from the way our businesses embraced the 2022 plan, we also saw excellent progress with a number of our strategic initiatives around the world.

Having entered the important USA market in the last few years, the team there delivered impressive growth, with net fees up 28% and headcount up 21%. All areas of the business did well, but we saw spectacular growth in newer specialisms.

For example, having opened our Construction specialism in 2014, we grew that by 80% in FY18, delivering \$13m in net fees. We have the opportunity as the global leader in C&P recruitment to build a huge US business, alongside our IT, A&F and Life Sciences businesses there.

We continued to make significant investments in our German business. Since 2015 our headcount is up over 50%, and we have opened nine new offices as we expand our footprint. We also put in place the infrastructure to reinforce our market leadership in what is one of the world's most attractive markets.

The benefits of market leadership are crystal clear: witness the continued out-performance of our Australian business over many years.

Replicating that position in Germany is important to us and we will not shy away from capitalising on the enormous structural opportunities in this market. We now need strong execution to deliver on these investments, but the opportunities in Germany stretch well beyond 2022, and we will continue to invest accordingly.

The rapid development of the IT industry around the world offers excellent opportunities. Organisations are struggling to find the skills they require across newer technologies being developed such as data science, artificial intelligence or cyber security. We have invested to grow our IT businesses in many countries and this is a sector that I think will be exciting for a long time to come.

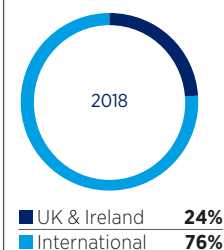
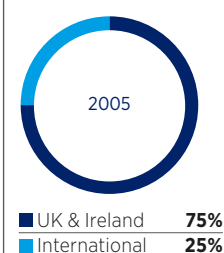
As a result, our IT specialism is now our largest globally, at 21% of global net fees. Given the dynamics of the workforce in this industry, and the propensity for many skilled professionals to work as freelancers or contractors, this also lends itself well to our strategy of building our non-Perm businesses globally. Again, we made great progress in this area and non-Perm now represents c.75% of our IT net fees in our largest markets.

Elsewhere, we continued to invest in new ideas to make our business more effective and productive. Our IT teams developed powerful and proprietary tools focused on business development and candidate management. We brought out new app-based platforms in areas like Education, helping to link schools and teachers.

We built on our collaborations with some of the world's best organisations, designed to bring their cutting-edge technologies and innovations to bear for the benefit of our clients and candidates. Our partnership with Xing in Germany reached its one-year anniversary in August 2018, and continues to go very well.

Together with our ground-breaking collaborations with Seek in Australia and LinkedIn globally, and more recently with Google as they launch Google Jobs, we are continually looking for ways to get the most accurate and up-to-date data in the industry, and use it to 'Find & Engage' with great candidates quicker and better than anyone else.

**Net Fee Diversification of the Group**





Our Investor Day included a detailed break-out session on our Germany growth strategy.

Last year also saw the introduction of significant new European legislation with GDPR. Preparing our business was a huge task, but one that our Legal and Operational teams coped with admirably. This was the biggest change in data laws for a generation.

However, with the right resources and processes in place, our rigorous approach to GDPR can help to enhance our competitive position in the market.

Finally, while I wouldn't call it a 'low-light', the uncertainty of Brexit negotiations and associated political disruption in the UK makes this a continuing difficult market. That said, I applaud the performance of our UK team, consolidating our market leadership and closely controlling costs.

Longer term, the UK remains a large and important economy to us. Should a sensible EU-exit deal be reached, I am convinced we will be in a strong position to capitalise on any pent-up demand once our clients feel confident again to start investing in their own businesses.

**Q. Has there been any change in your assessment of the industry Megatrends?**

A. If anything, our enthusiasm for the structural attraction of non-Perm and flexible working has grown. The world of work is changing at a tremendous pace, and in tandem with major shifts in worker demographics and pension needs, the prospects for longer, plural careers are huge.

We are actively positioning Hays to be the trusted partner and advisor to candidates throughout their working lives, helping them navigate between roles as their careers develop.

On the other side of the coin, we are also ideally placed to help our clients plan their own growth, and how they might access resources needed to deliver that. We can help them navigate the increasing complexity of workforces, ensuring they can tap into the talent they need in a way that makes sense for them.

This can be via permanent recruitment, utilising a temporary or contractor workforce or even structuring teams of skilled individuals around specific projects.

Technology is also changing how the recruitment process is delivered and we invest heavily to understand which of the many innovations continually being launched truly add value and seek to incorporate them into our own methodologies, to our clients' and candidates' benefit.

Above all, in a skill-short world, the competition for the best talent is huge and it is our job to help ensure our clients win in that game.

**Q. On technology, how do you manage the risk of disruption from new entrants and platforms?**

A. Commentators have forecast the disintermediation of recruitment agencies for longer than I've been in the industry. First it was via job boards, then social media platforms and online communities, and latterly aggregators and peer-to-peer platforms.

However, to date, rather than be disrupted, the role of a specialist agency has actually been enhanced. That's because the heart of good recruitment is based on the strength of the relationships formed with clients and candidates and that's a very human thing.

So we see technology and human skills as working hand-in-hand to deliver the best outcome for our clients and candidates. I call that the art and science of successful recruitment, automating whatever we can to free up our expert consultants to do what they do best: advise.

Consequently we invest heavily in technology to ensure our consultants have the best tools available to do their job. But we also invest heavily in our people, so they have the right skills to become trusted advisors to their clients and candidates, and become true experts in their chosen field.

That has allowed us to focus our business on our own proprietary 'Find & Engage' model, where our specialist consultants become highly successful at finding and nurturing skilled talent in their own niche market, knowing that they will then find the right role for each of their candidates.

Having invested to create unrivalled access to these niche candidate pools, we are well positioned to swiftly find the scarce talent that our clients need. I think that is a real differentiator for us, based on the successful integration of human skills, technology and data. That is hard to replicate, and even harder for a machine alone to replace. But clearly the risk of disruption remains, and we will stay vigilant.



“Above all, in a skill-short world the competition for talent is huge, and it is our job to ensure our clients win that race.”

**Q. The term “our people are our greatest asset” is often used by companies. Can you give some examples of what it means at Hays?**

**A.** Hays is a business that has people at its heart, and we are hugely proud – and protective – of our culture. We think it’s unique and it sets us apart in our industry. I visited over 15 Hays countries last year, and in each office I visit, the same core values of client service, integrity and passion for the job hold true.

Some of the awards received in FY18 include France being ranked third in the top 500 workplaces nationally, and Germany gaining an Employers Institute ‘Top Employer’ award for a tenth consecutive year. Glassdoor UK placed us in the top 50 of all companies for the fourth year running. And at the Recruitment International awards, Australia won ‘Best Large Recruiter To Work For’.

We don’t achieve these accolades without investment. This year we launched the Hays ‘International Leadership and Management Programme’. I’m delighted with the initial results, and 90 of our senior leaders will attend in its first two years.

Equally, our annual employee engagement survey, which we present in our KPIs, measures satisfaction, sense of belonging and personal motivations. This achieved a record high level of participation of 86% globally, and a high engagement score of 82%.

Key strengths identified from the feedback included supportive line management, high levels of recognition, commitment to development and clear career paths. That suggests to me that we are doing many things right for our people, although there is always room to improve.

Last year we delivered 4,185 training days and I’m proud to say that 3,370 colleagues were promoted. A further 68 transferred internationally, reinforcing our culture while giving them exciting new opportunities globally. Ultimately, we want to keep the best talent within Hays, which is in the interest of our clients, candidates and shareholders.

**Q. What keeps you awake at night as a CEO?**

**A.** The biggest risks to our business are geopolitical and macroeconomic in nature. A disorderly exit of the UK from the European Union would likely have a detrimental effect on business investment in the UK, as well as candidate confidence. An upward spiral in trade tariffs across the globe would also be unhelpful. Political disruption anywhere brings uncertainty, weakening investment confidence.

Hardly a day goes by without a news story on cyber threats to businesses. At Hays we take this threat extremely seriously and it occupies a central position at Board level. It is my job as CEO to be ‘professionally paranoid’ around the subject and do everything we can to protect our candidate, client and employee data.

It is a continual battle, but our IT, Legal and Operations teams’ level of engagement gives me great comfort as CEO. However, we can never be complacent.

My main personal challenges are staying apace with innovation and industry developments to ensure we remain highly relevant and the industry leader. I’m also hugely passionate about the development of our people, their motivation and succession planning as this business is based so heavily on the quality of our people. Making sure we have the right internal talent for both today and for the future is a vital part of my job.

Overall then, our core business is in excellent health and the outlook is positive. Last year we helped more than 320,000 people find their next job, and over 30,000 clients find the talent they need to grow. That’s real scale. We view our role in helping people develop their careers and finding highly skilled workers as a core function in society, and it is one we are very proud of.

Looking forward, I expect significant further technological changes and innovation, and plan to embrace these. Change will continue to present us with opportunities, as well as creating risks or threats to our business model. However, we have successfully navigated these in the past. The business is in the best shape I have ever seen it, and we are wholly focused on positioning the Group to capitalise on long-term growth prospects.

Finally, during the year Hays celebrated its 50th anniversary. Reaching that milestone is increasingly rare in today's business world. It was an event I was extremely proud to be a part of and I was privileged to open trading at the London Stock Exchange in June as recognition. It is an honour to lead a business that has grown and evolved so dramatically since our formation in 1968, and one that has helped progress the careers of literally millions of jobseekers worldwide in that time.

**Alistair Cox**  
Chief Executive



Hays management open trading at the London Stock Exchange to celebrate our 50th anniversary.

## OUR CASH STRATEGY

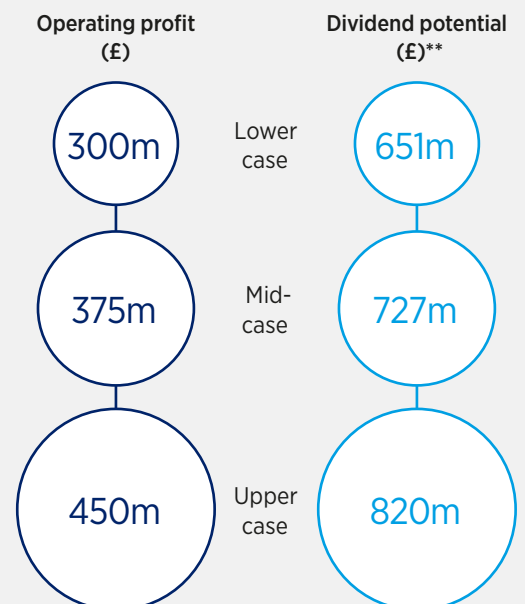
Our aspiration is to build on the momentum of our 2013 plan, driving operating profit in the range £300-450m by 2022.

At our Investor Day in November 2017, we detailed our ambition to deliver operating profit of between £300-450m by 2022, with a mid-point of £375m\*.

Our business is highly cash-generative, meaning that if we hit the mid-point of this profit range, we can potentially deliver a cumulative £944m of operating free cash flow.

After taxes, budgeted capex and pension payments, we calculate that £727m could be available for returns to shareholders. In FY18, we have paid and proposed a total of £128.4m in dividends (FY17: £108.3m).

### Potential for material returns to shareholders based on achieving our five-year aspirations



\* This assumes a continued benign economic backdrop, and a relatively business-friendly exit of the UK from the EU

\*\* Cumulative figure over five years

# CLEAR, WELL-ESTABLISHED STRATEGIC PRIORITIES TO DELIVER OUR LONG-TERM AIMS

Our ultimate aim is to be the undisputed leader in global specialist recruitment. To achieve this, we have four long-established strategic priorities, which remain unchanged throughout the various stages of the economic cycle. As well as being interlinked with each other, they are underpinned and driven by our aims, as well as by the long-term megatrends we identify in our marketplace, described on page 6.



See our business model [page 22](#)  
 Read about our KPIs [page 26](#)  
 Read about our risks [page 38](#)  
 Read more on our remuneration [page 68](#)

## Strategic priority

**Materially increase and diversify Group profits**



**Generate, reinvest and distribute meaningful cash returns**



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



**Build critical mass and diversity across our global platform**



## What we achieved in FY18

- In FY18 we increased operating profit by a further c.£32 million to £243.4 million. We completed our 2013 plan, which aimed to broadly double and diversify the Group's profits. Despite the negative impact of Brexit, we delivered 95% profit growth over the period
- Our profit growth in FY18 has been driven by a record profit performance by our international business, accounting for 81% of the Group's profits. This is up from 35% ten years ago
- The UK also delivered highly creditable 13% operating profit growth, helped in part by some IT assets becoming fully depreciated

## Focus FY19

- We will continue to focus on driving net fee and profit growth in our international businesses, where markets remain strong
- We see the biggest structural opportunities for profit growth in Germany and RoW, and we will continue to invest organically in this business
- The UK market remains stable but subdued. We will continue to monitor underlying activity levels closely as negotiations to leave the EU develop

## Link to relevant KPIs

- 1 Like-for-like net fee growth
- 2 Proportion of Group net fees generated by our international business
- 4 Basic continuing earnings per share growth
- 6 Like-for-like net fees per consultant
- 7 Conversion rate

- Strong profit growth and excellent underlying cash performance, ending the year with a net cash balance of £122.9 million
- In line with our dividend policy, having reached our targeted core dividend cover of 3.0x EPS last year, we increased the core dividend by 18%, with a full-year dividend of 3.81 pence per share. Additionally, in line with our excess cash returns policy, having built a net cash position above £50 million, we propose a special dividend of 5.00 pence per share to supplement the core dividend, subject to shareholder approval
- £128.4m total dividends paid or proposed in FY18 (FY17: £108.2m)

- We will maintain core dividend cover at 3.0x earnings, and intend to grow the core dividend in line with growth in earnings. Should future earnings fall, our high dividend cover provides some protection
- We will target a net cash buffer of around £50 million as at each year end. It is our intention that any free cash flow generated over and above this level will be distributed to shareholders in the form of a special dividend, provided our market outlook is positive

- 1 Like-for-like net fee growth
- 4 Basic continuing earnings per share growth
- 8 Cash conversion

- Continued to develop mutually beneficial relationships across a range of areas, including collaborations with SEEK in Australia, Xing in Germany, LinkedIn, Google and Stack Overflow, amongst others
- Invested in further developing our own capabilities within our Data Analytics and Digital Marketing function, which has been working alongside our existing Innovation function and Corporate Development teams
- Upgraded our Germany and France IT operational systems, increasing our back office capacity
- We have hired a net 978 people and internally promoted over 3,370 of our employees

- We will continue to explore and develop relationships and partnerships with external organisations, to enable us to better understand, respond to and capitalise on new opportunities and/or threats
- Further develop our internal capabilities and expertise in terms of Data Science and Data Analytics, to improve our business efficiency and service to clients and candidates
- Continue to evolve and shape our offering to meet changing clients' needs by providing alternative and innovative delivery models, supported by the latest technologies and tools

- 5 Employee engagement
- 6 Like-for-like net fees per consultant

- We continued to pursue our strategy of diversified exposure across contract types, investing organically in our Temp/Contracting business, which represents 58% of Group net fee income
- Increased non-UK headcount by 12% year-on-year, including Germany up 13%, Canada up 23%, the USA up 21% and Australia up 12%
- The percentage of non-Perm net fees generated in the Group, excluding the UK, Germany and Australia, remained broadly constant in FY18. Since 2011, this has grown from 22% to 32% in 2018
- Global office network stands at 257, of which 160 are non-UK & Ireland

- We will continue to focus on organic growth, making further investment in headcount where conditions are supportive
- Further expand the percentage of net fee income generated outside of our largest businesses (the UK, Germany and Australia)
- Drive further growth in our Temp/Contracting business in new/existing markets, including France, Japan, Canada and the US

- 1 Like-for-like net fee growth
- 2 Proportion of Group net fees generated by our international business
- 3 Headline international net fee base



Our business model

## A GLOBALLY INTEGRATED PLATFORM WITH LOCAL EXPERTISE

We believe that having a balanced exposure within and between our markets is key to driving superior and relatively resilient financial performance, and better results for our clients, through the economic cycle. We have a business with scale, breadth and diversity of exposure, designed to take into account the megatrends driving change in our industry, as well as the short-term market movements we experience.

### A balanced and diverse model

We have deliberately and strategically built a business which is balanced and diverse.

Within our network, we have exposure to both more cyclical, mature markets such as the UK and more immature, structural-growth markets such as Germany and in Asia. We are exposed to Temporary, Contractor and Permanent recruitment markets and have deep scale and expertise in 20 specialist areas of skilled employment.

We are predominantly private sector-focused, but also serve public sector clients in some markets. Within our portfolio of services, we work on one-off placements for SMEs and global multinationals, as well as contract-based higher volume recruitment for our larger clients. The balance, breadth and scale of our business is unique in the world of specialist recruitment.

This is a key differentiator, and we believe it is important as it makes our business and its earnings relatively more resilient to today's ever-changing macroeconomic and political landscape.

### Exposure to mature and less-mature markets

Structural-growth markets are those where the use of agencies like Hays to source skilled candidates is a relatively new practice. Traditionally in these markets, this recruitment is undertaken by companies themselves, using hiring teams within their own HR functions.

A key driver of our growth is therefore the first-time outsourcing of this recruitment to third parties. This means that these markets are relatively less cyclical, and relatively less-driven by the prevailing economic backdrop, or short-term sentiment. More mature markets are those where the use of agencies is a well-established, long-standing norm. Here, clients will use agencies to help them fill roles in the majority of cases.

As such, these markets are more cyclical in nature, with activity levels dependent far more on the amount of job churn occurring at any particular time.

We have a business with scale, breadth and diversity of exposure, which is built to take into account the megatrends driving change in our industry, the short-term market movements we experience and positions us to work towards our long-term aims and strategy.



## Balanced exposure across markets

### Breadth of expertise

#### Net fees by clients

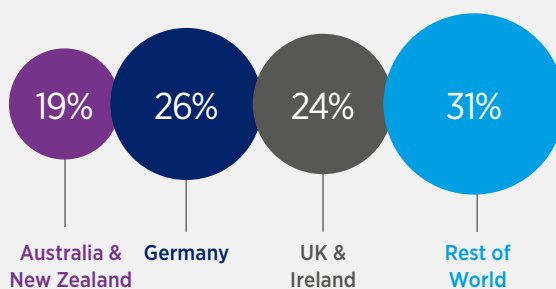
Top 40

c.15%

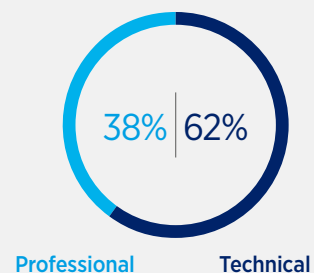
Other clients

c.85%

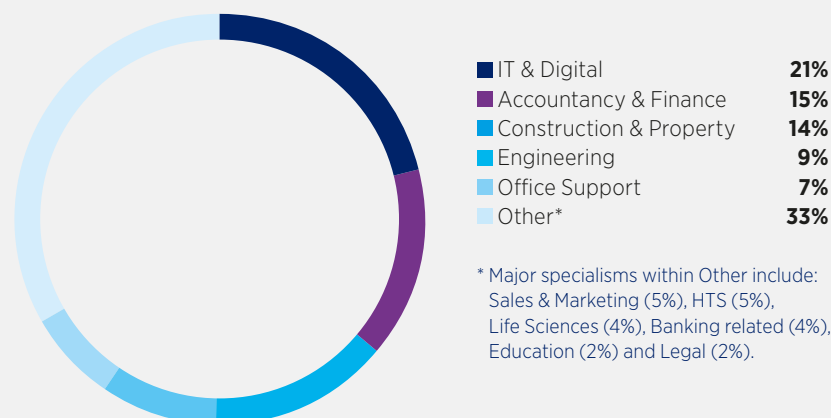
#### Net fees by geography



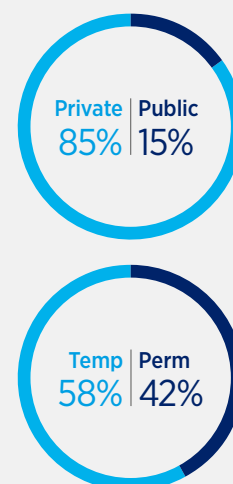
#### Net fees by type



#### Net fees by specialisms



#### Contract type



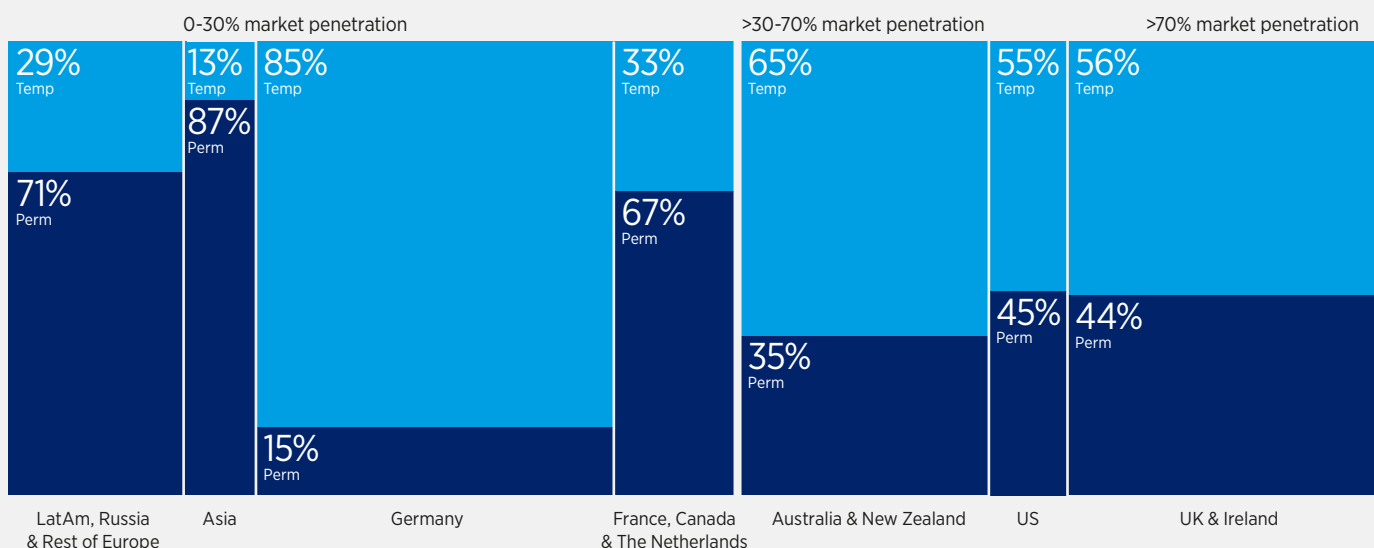
#### Net fees by geography, type and market maturity

##### Structural/immature

54%

##### Cyclical/mature

46%



# CREATING VALUE FOR ALL STAKEHOLDERS

Our consultants develop long-term relationships with clients and candidates to understand their local markets and are equipped with the latest technology, tools and data to match candidates to roles.

We understand the needs and challenges of our clients and candidates locally and employ the power of our integrated global business to meet them quickly and effectively.

We take our relationships with wider stakeholders in society very seriously, and this is discussed further in our 'Acting Responsibly' section.

See our business model [page 22](#)

Read about our KPIs [page 26](#)

Read about our risks [page 38](#)

Read more about our acting responsibly policies [page 43](#)

Read more on our remuneration [page 68](#)

## A balanced and diverse model

What we need to make our business model work.

### People and culture

#### Our people

Hays is the ultimate people business and as such the ability to attract, develop, enable and retain the very best consultants and managers in our industry is vital to our success. We aim to create an exciting and vibrant work environment and we strive continuously to provide our people with attractive career paths that will make them experts in their fields.

#### Society

We believe that what we do makes a big difference to the world around us. We help hundreds of thousands of people every year to secure the next leg on their personal career journey, and companies source the skilled employees they need to grow. This all contributes to the wider growth and success of the economies and communities in which we operate.

### Brand, technology and data

#### Brand

Our reputation as a world-leader in the specialist recruitment market is supported and reinforced by our world-class global brand, which is consistent in each of our markets around the world. We constantly focus on building wider recognition and awareness of Hays as a market leader both through partnerships with other organisations and by building a portfolio of high quality and respected publications that demonstrate the thought-leadership credential of Hays and our people.

#### Technology and data

We have built a sector-leading global technology platform that is able to interact with other applications and third-party technologies. This, together with our investment in data science and digital marketing capabilities, enables our consultants to make sense of the vast amount of data generated in today's world, source real-time, accurate information on their market and ultimately to get the best candidates to clients faster than anyone else.

### Relationships

#### Partnerships and collaborations

Our philosophy is not just to invest in technology solutions, but also to build strong collaborations with leading innovators and influential organisations, creating mutually beneficial relationships which help us better understand and serve our clients and candidates. This philosophy extends beyond the technology sector and enhances our ability to better respond to fast-moving market developments.

#### Client and candidate relationships

Forming and maintaining strong relationships with our clients and candidates is at the heart of what we do. Our extensive engagement marketing programme offers them industry-leading content, with the aim of helping them succeed in their careers and source the right talent for their business. This also includes making connections with people who are not yet clients or candidates and building a relationship which would make them more likely to be open to future approaches.

### How we create value

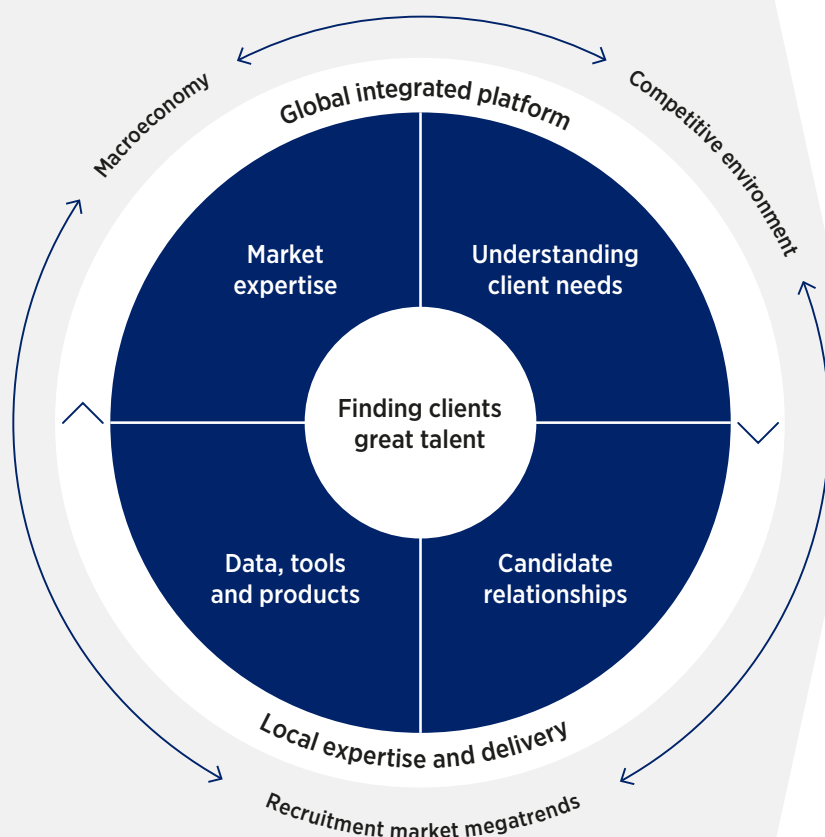
As the ultimate people business, everything we do is focused on placing the right people into the right roles.

### Capital reinvestment

Our priority for free cash flow remains to fund the Group's investment and development.

### Stakeholder benefits

The value we create not only generates returns for our shareholders, but also benefits our other stakeholders.



#### Clients

We work closely with our clients to help them find the skilled people they need to drive growth in their businesses. We work with thousands of companies every year, with no single client representing more than 1% of Group net fees.

#### Number of clients

>30,000

#### Private/Public sector

85:15

#### Candidates

We help candidates secure their next Perm job or Temp/Contracting assignment. We connect our candidates with the world of work through an array of events, debates, seminars and networking opportunities across our network of 33 countries.

#### 2018 Perm placements

77,000

#### 2018 Temp/Contract assignments

244,000

#### Employees

We invest a significant amount of time and effort to ensure Hays is a great place to work. We offer our consultants the best training to become experts in their market and develop their careers, along with the best technology and tools in the industry to enable them to be as productive and successful as possible.

#### 2018 Internal promotions

3,370

#### 2018 Formal training days

4,185

#### Shareholders

We continue to make progress on our objective of building the world's pre-eminent specialist recruitment business. The breadth, scale and balance of our business model, together with our industry-leading operating leverage, allow us to deliver superior relative financial performance through the cycle. This, combined with our focus on working capital management and the cash-generative nature of our business, means we have the potential to generate meaningful shareholder returns as our business grows.

#### 2018 EPS growth

18%

#### 2018 dividends paid and proposed

£128.4m

#### Society

During FY18 our CO<sub>2</sub> intensity ratio decreased by 5%. Hays is a diverse business which seeks to have a positive effect on the local and global community, anchored by our solid governance framework.

#### Gender ratio

63F:37M

#### 2018 YoY CO<sub>2</sub> intensity ratio reduction

5%



# KEY PERFORMANCE INDICATORS

Our long-term aim is to be the undisputed leader in global specialist recruitment. Along the way, we are focused on delivering well-diversified, profitable and cash-generative net fee growth.

We measure our progress in this respect, as well as against our areas of operational focus, using a series of KPIs.

## Measured against our strategy

We clearly link each of our KPIs to our four strategic priorities:



Materially increase and diversify Group profits



Generate, reinvest and distribute meaningful cash returns



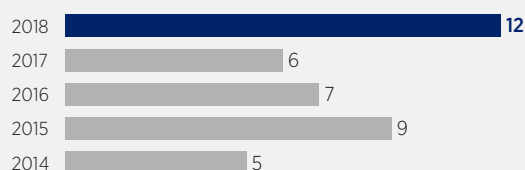
Invest in people and technology, responding to change and building relationships



Build critical mass and diversity across our global platform

Read more about strategic priorities page 20

### 1. Like-for-like<sup>(1)</sup> net fee growth (%)



#### Measure

How the Group's business is performing over time, measured as net fee growth on a constant currency basis.

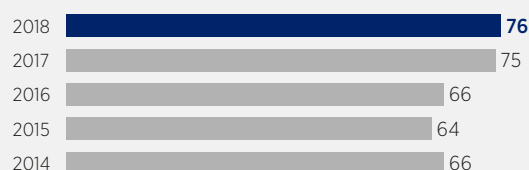
#### Progress made in 2017-18

Strong net fee growth of 12%. The rate of growth accelerated versus 2017 and we earned more than £1bn in net fees for the first time in our history.

[Link to relevant strategic priority](#)



### 2. Proportion of Group net fees generated by our International business (%)



#### Measure

The Group's relative exposure to markets which are typically more immature and under-penetrated than the UK, calculated as the percentage of non-UK net fees.

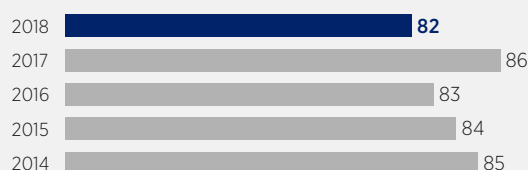
#### Progress made in 2017-18

76% of Group net fees were generated outside of the UK&I this year, led by a material increase in net fees from our ANZ, Germany and RoW businesses.

[Link to relevant strategic priority](#)



### 5. Employee engagement (%)



#### Measure

Based on the results of our internal employee engagement survey which tracks their sense of belonging, discretionary effort, personal motivation and job satisfaction.

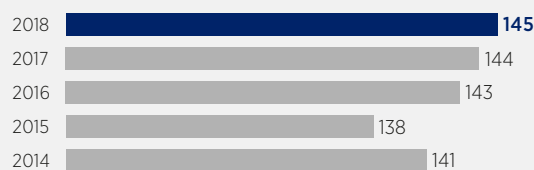
#### Progress made in 2017-18

Over 80% of our employees again engaged in our annual TALKback survey this year, reflecting our continuous efforts to focus on employee training, retention and effectiveness.

[Link to relevant strategic priority](#)



### 6. Like-for-like net fees per consultant (£000s)



#### Measure

The productivity of the Group's fee earners. Calculated as total Group net fees divided by average consultant numbers.

#### Progress made in 2017-18

Group like-for-like<sup>(1)</sup> net fees per consultant increased 1% in the year to £145.4k. This was driven by a material increase in RoW productivity, and an increase in the UK.

[Link to relevant strategic priority](#)

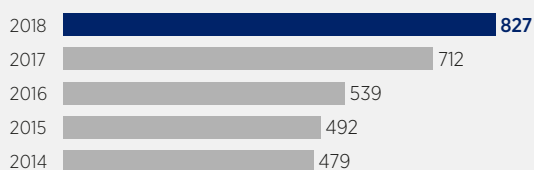


(1) Like-for-like growth represents organic growth of continuing operations at constant currency.

We have chosen a range of KPIs which are both financial and non-financial. They are focused on the overall Group financial performance, as well as changes we are making within the Group, such as the internationalisation of the business. As well as growth, we measure KPIs which illustrate the efficiency of our operations, such as conversion rate and cash conversion.

As we work towards our aims, and the shape and size of our business or our strategic priorities evolve, then our KPIs will evolve too.

### 3. Headline international net fee base (£m)



#### Measure

The absolute scale of the non-UK businesses in net fee terms (ANZ, Germany & RoW).

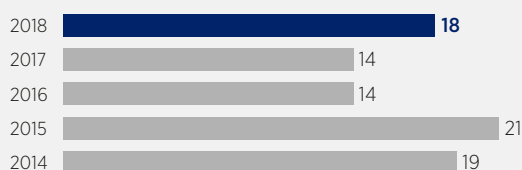
#### Progress made in 2017-18

Like-for-like<sup>(1)</sup> net fees in the international business grew by 15% in the year. We saw an acceleration of growth in Asia, the USA, Canada and Australia and strong, broad-based growth across many European markets, including Germany and France.

[Link to relevant strategic priority](#)



### 4. Basic continuing earnings per share growth (%)



#### Measure

The underlying profitability of the Group, measured by the earnings per share of the Group's continuing operations.

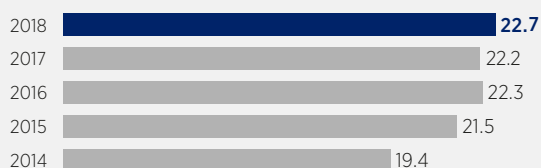
#### Progress made in 2017-18

Basic earnings per share increased by 18% to 11.44 pence. This reflects the Group's higher operating profit, lower net finance charge and lower effective tax rate.

[Link to relevant strategic priority](#)



### 7. Conversion rate (%)



#### Measure

Calculated as operating profit divided by net fees. Measures the Group's effectiveness in managing our level of investment for future growth and controlling costs.

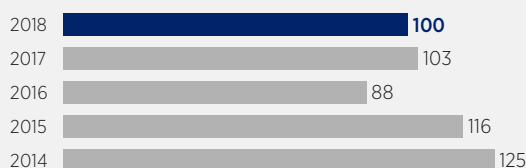
#### Progress made in 2017-18

Our conversion rate increased by 50 bps to 22.7%, largely as a result of strong profit performance in our RoW business and our continued strong control of operating costs.

[Link to relevant strategic priority](#)



### 8. Cash conversion (%)



#### Measure

The Group's ability to convert profit into cash. Calculated as cash generated by operations as a percentage of operating profit from continuing operations.

#### Progress made in 2017-18

100% cash conversion was a result of strong working capital management throughout the year, especially considering the strong growth in our German and RoW Contracting business, which are relatively working-capital intensive.

[Link to relevant strategic priority](#)





# **DIVISIONAL OPERATING REVIEW**

# AUSTRALIA & NEW ZEALAND



In Australia & New Zealand, net fees increased by 14% to £199.4 million and operating profit was up 14% to £69.1 million. This represented a conversion rate<sup>(1)</sup> of 34.7% (2017: 34.8%). The difference between actual and like-for-like growth rates was primarily the result of the depreciation in the average rate of exchange of the Australian dollar versus sterling during the year, which decreased net fees by £6.1 million and operating profits by £2.2 million.

Net fees in Perm grew strongly by 16%, while Temp, which represented 65% of ANZ net fees in the year, grew by 13%. The number of Temp and Contracting workers reached a new record in the year, at just under 21,000 per week.

In Australia, net fee growth accelerated to 16%. This was driven by private sector activity, which represented 65% of our net fees, up a strong 18%. Public sector net fees increased by 13%.

Growth in Australia was broad-based across all regions and specialisms. Our largest regions of New South Wales and Victoria, which together accounted for 57% of Australia net fees, were up 11% and 22% respectively. Queensland delivered an excellent performance, with net fees up 21%. Elsewhere, South Australia and Western Australia both grew strongly, up 19% and 14% respectively. Net fees in ACT, which has higher public sector exposure, increased by 8%.

At the specialism level, Construction & Property, our largest specialism in Australia, delivered strong 16% growth. IT grew by 15%, Accountancy & Finance was up 9% and HR increased by an excellent 25%. New Zealand (6% of ANZ net fees) was down 9% after a tough second half of the year.

During the year we made significant expansions to four offices, and consultant headcount in the division increased by 10% year-on-year. Australia increased by 12%, while New Zealand decreased by 10%.

## Offices

39

(FY17: 38)

## Consultants

1,000

(FY17: 911)

## Net fees

£199.4m

(FY17: £180.7m)

## Operating profit

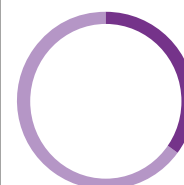
£69.1m

(FY17: £62.8m)

## Net fees by contract type



## Net fees by sector



## Net fees by specialism

Construction & Property	26%
Accountancy & Finance	13%
Office Support	12%
IT	10%
Sales & Marketing	5%
HR	4%
Other	30%

## Net fees by country

Australia	94%
New Zealand	6%

## Operating performance

Year ended 30 June	2018	2017	Actual growth	LFL growth
Net fees	£199.4m	£180.7m	10%	14%
Operating profit	£69.1m	£62.8m	10%	14%
Conversion rate <sup>1</sup>	34.7%	34.8%	-10bps	
Period-end consultant headcount <sup>2</sup>	1,000	911	12%	

Note: unless otherwise stated, all growth rates discussed on this page are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of continuing operations at constant currency.

(1) Conversion rate is the proportion of net fees converted into operating profit (before exceptional items).

(2) Closing consultant headcount as at 30 June.



# GERMANY



In Germany, our largest market, net fees grew strongly by 16% to £276.0 million, with operating profit up by 4% to £86.0 million. Sterling weakness versus the Euro led to a year-on-year increase in net fees of £7.2 million and operating profits of £2.5 million. Trading in the year was impacted by the loss of three working days versus prior year. We estimate this had a c.1% negative impact on net fees and a c.3% negative impact on operating profit. Therefore, adjusted for working days, underlying net fee growth was c.17%<sup>(3)</sup> and operating profit grew by c.7%<sup>(3)</sup>.

Our Temp and Contracting business, which represented 85% of Germany fees, delivered strong growth of 14%. Within this, our largest business of Contracting was up 11%, while Temp growth was excellent at 22%, despite the negative working day impact. Our Perm business, which represented 15% of Germany fees, also delivered excellent growth of 34%.

IT, our largest specialism accounting for 41% of Germany net fees, grew by 13%. Our next largest area of Engineering also increased by 13%. We saw excellent growth in our newer specialisms, which now make up c.30% of Germany net fees, particularly Accountancy & Finance, up 42%, Sales & Marketing, 32%, and Legal, which grew by 74%.

As we set out at our 2017 Investor Day, there are significant long-term structural growth opportunities in Germany, on which we are determined to capitalise. In FY18 we invested in people, offices and systems. Consultant headcount was up 13% year-on-year to 1,700, in line with our five-year plan. To further support our growth, we opened three new offices (Essen, Walldorf and Augsburg) and completed five significant expansions (Mannheim, Stuttgart, Munich, Frankfurt and Cologne). We also upgraded our IT operational and back office systems.

These investments, coupled with three fewer working days in FY18, meant our conversion rate<sup>(1)</sup> declined 380bps to 31.2% (2017: 35.0%).

## Offices

22

(FY17: 19)

## Consultants

1,700

(FY17: 1,503)

## Net fees

£276.0m

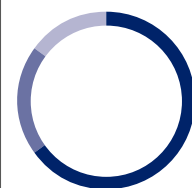
(FY17: £230.3m)

## Operating profit

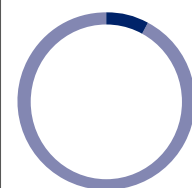
£86.0m

(FY17: £80.5m)

## Net fees by contract type



## Net fees by sector



## Net fees by specialism

IT	41%
Engineering	29%
Accountancy & Finance	14%
Construction & Property	5%
Life Sciences	5%
Sales & Marketing	4%
Other	2%

## Operating performance

Year ended 30 June	2018	2017	Actual growth	LFL growth
Net fees	£276.0m	£230.3m	20%	16%
Operating profit	£86.0m	£80.5m	7%	4%
Conversion rate <sup>(1)</sup>	31.2%	35.0%	-370bps	
Period-end consultant headcount <sup>(2)</sup>	1,700	1,503	13%	

Note: unless otherwise stated, all growth rates discussed on this page are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of continuing operations at constant currency.

(1) Conversion rate is the proportion of net fees converted into operating profit (before exceptional items).

(2) Closing consultant headcount as at 30 June.

(3) The estimated working day impact is calculated on our Temp & Contractor businesses only, we make no estimate of the impact on our Perm business. It represents an assumption based on recent trends of revenues per working day in those businesses.



# UK & IRELAND



In the United Kingdom & Ireland net fees increased 2% to £258.2 million, with operating profit up 13% to £47.0 million, representing a conversion rate<sup>(1)</sup> of 18.2% (2017: 16.4%). Although good cost control across the business was a driver of profit leverage, our performance also benefited from the conclusion of depreciation on major legacy IT investment programmes. The annual benefit to the division was £4.6 million in FY18.

Overall, the UK market remained uncertain but stable overall. Temp, which represented 56% of division net fees, grew by 3%, with our Perm business up 1%. Public sector markets remained tough and net fees declined 2%, although the rate of decline improved in H2 FY18, in part due to easier comparatives following the negative impact of IR35 changes in the public sector, implemented in April 2017. Our larger private sector business, which represented 75% of net fees, grew by 3%.

All regions traded broadly in line with the overall UK business, with the exception of the South West & Wales, up 8%, Northern Ireland up 7%, East down 7% and the Midlands, down 6%. Our largest region of London, c.31% of UK&I net fees, grew by 3%. Ireland delivered strong net fee growth of 16%.

At the specialism level, Accountancy & Finance, our largest UK&I business, was flat, while Construction & Property, Office Support and IT were up by 3%, 7% and 1% respectively. Net fees in Education decreased by 10%, as the sector continued to be negatively impacted by declining public sector spending.

Consultant headcount in the year fell by 2% to 1,917, all by natural attrition, as we maintained focus on driving consultant productivity.

## Net fees by country/sub-group

London	31%
North & Scotland	24%
Midlands & East Anglia	18%
South West & Wales	10%
South East	9%
Ireland	8%

## Operating performance

Year ended 30 June	2018	2017	Actual growth	LFL growth
Net fees	<b>£258.2m</b>	£252.9m	2%	2%
Operating profit	<b>£47.0m</b>	£41.5m	13%	13%
Conversion rate <sup>(1)</sup>	<b>18.2%</b>	16.4%	+180bps	
Period-end consultant headcount <sup>(2)</sup>	<b>1,917</b>	1,948	(2)%	

Note: unless otherwise stated, all growth rates discussed on this page are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of continuing operations at constant currency.

(1) Conversion rate is the proportion of net fees converted into operating profit (before exceptional items).

(2) Closing consultant headcount as at 30 June.

## Offices

97

(FY17: 98)

## Consultants

1,917

(FY17: 1,948)

## Net fees

£258.2m

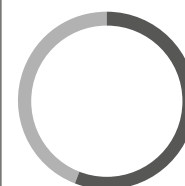
(FY17: £252.9m)

## Operating profit

£47.0m

(FY17: £41.5m)

## Net fees by contract type



■ Temporary **56%**  
■ Permanent **44%**

## Net fees by sector



■ Public **25%**  
■ Private **75%**

## Net fees by specialism

Accountancy & Finance	22%
Construction & Property	20%
Office Support	12%
IT	9%
Education	8%
Banking	8%
Other	21%



## REST OF WORLD

Our Rest of World (RoW) division, which includes 28 countries, delivered strong net fee growth of 17% to £339.2 million. Operating profit grew by an excellent 51% to £41.3 million, with conversion rate<sup>(1)</sup> improving by 300bps to 12.2% (2017: 9.2%). Growth was broad-based, with 21 markets delivering all-time record net fees. Perm net fees, which represented 68% of RoW, were up by an excellent 21%, while Temp net fees rose 10%.

Sterling strength against the US dollar, and some Asian currencies, was partially offset by weakness against the Euro, on a year-on-year basis. This resulted in a decrease in net fees of £1.5 million. As the majority of our profits are in Europe, we saw a modest increase in operating profit from currency of £0.6 million.

Europe ex-Germany delivered strong, broad-based net fee growth of 15% and excellent profit growth of 32%. 11 of our 17 countries grew by more than 15%, and 12 countries generated record net fees in the year. This included France, our largest RoW market, which increased net fees by 14%, representing a fourth consecutive year of double-digit net fee growth, led by strong growth in our largest French specialisms of Accountancy & Finance and Construction & Property, up 16% and 18% respectively. Banking also delivered excellent growth, up 45%. Belgium, our second-largest business in the sub-region, delivered strong growth of 18%, as did Spain, up 15%.

The Americas grew net fees by an excellent 21%, including four of our six countries with all-time records. We continued to invest significantly in the region, particularly in Canada and the USA, where headcount rose by 23% and 21% respectively. Net fees in the USA grew by 28%, with an acceleration in H2, and Canada grew by 16%. In Latin America, Brazil delivered strong net fee growth of 16%, although Mexico was tougher and declined by 2%. In absolute terms, operating profit in the Americas rose £2.5 million, a strong result given our investments.

Asia delivered an excellent performance, with net fees up 23% and operating profit 72%. Five of our six businesses in the region delivered record net fee performances. Within this, Hong Kong, our third-largest market, delivered the highest growth with net fees up 57%. Japan and China, our largest and second-largest markets, grew by 13% and 29% respectively. Japan, Hong Kong and China were the largest absolute profit growth contributors.

During the year we opened four new offices in RoW, and significantly expanded 10 others. Consultant headcount in the division was up by 13% year-on-year to 2,847. Within this, headcount in Europe ex-Germany was up 11%, Asia up 17%, and in the Americas up 15%.

### Offices

99

(FY17: 95)

### Consultants

2,847

(FY17: 2,522)

### Net fees

£339.2m

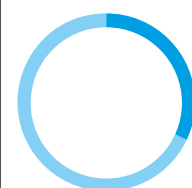
(FY17: £290.7m)

### Operating profit

£41.3m

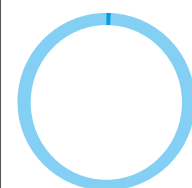
(FY17: £26.8m)

### Net fees by contract type



■ Temporary **32%**  
■ Permanent **68%**

### Net fees by sector



■ Public **1%**  
■ Private **99%**

### Net fees by specialism

IT	21%
Accountancy & Finance	12%
Construction & Property	10%
Life Sciences	8%
Office Support	7%
Engineering	6%
Other	36%

### Net fees by sub-region

Europe ex-Germany	61%
Asia	17%
The Americas	22%

### Operating performance

Year ended 30 June	2018	2017	Actual growth	LFL growth
Net fees	<b>£339.2m</b>	£290.7m	17%	17%
Operating profit	<b>£41.3m</b>	£26.8m	54%	51%
Conversion rate <sup>(1)</sup>	<b>12.2%</b>	9.2%	+300bps	
Period-end consultant headcount <sup>(2)</sup>	<b>2,847</b>	2,522	13%	

Note: unless otherwise stated, all growth rates discussed on this page are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of continuing operations at constant currency.

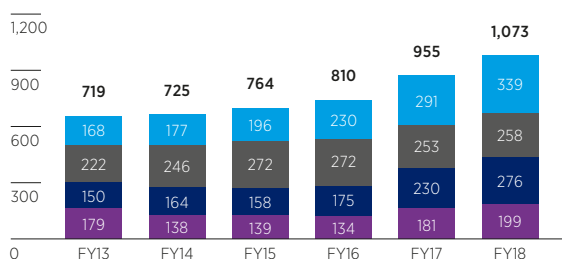
(1) Conversion rate is the proportion of net fees converted into operating profit (before exceptional items).

(2) Closing consultant headcount as at 30 June.

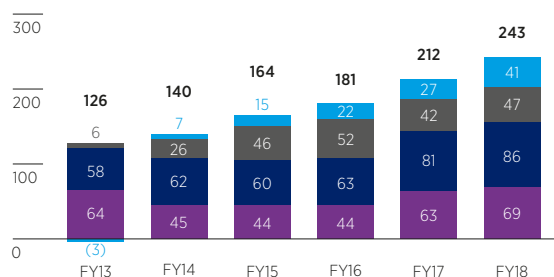
# HISTORICAL DIVISIONAL COMPARISONS FY13-18

During FY18, we moved from a three-division reporting structure to four divisions. This was in line with how we presented our 2013 and, more recently, our 2018 five-year plans, and better reflects the weightings of our different geographical businesses. For transparency, and to assist shareholders in understanding our business, we set out below our divisional operational performance in Australia & New Zealand, UK & Ireland, Germany and Rest of World, for our financial years 2013-18.

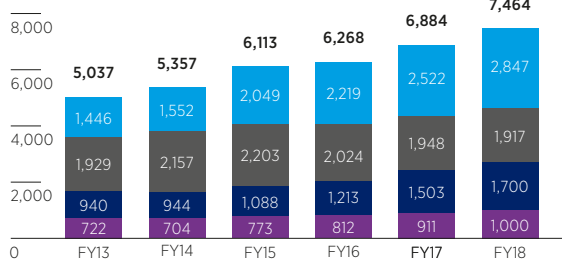
Net fees £m



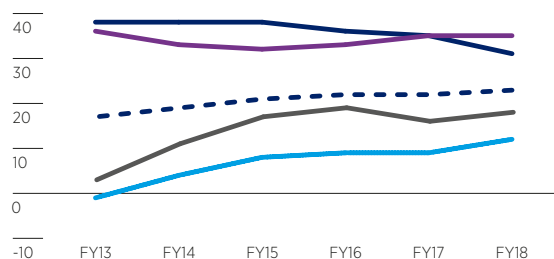
Operating profit £m



Consultant headcount



Conversion rate %



■ Australia & New Zealand
 ■ Germany  
■ UK & Ireland
 ■ Rest of World  
--- Group Conversion rate

## RECORD INTERNATIONAL PROFITS AND RECORD TOTAL DIVIDENDS

“I am pleased to report a strong financial performance, including our core dividend up 18%, and the Group’s second special dividend of £72.9 million.”

**Paul Venables**  
Group Finance Director, Hays plc

# FINANCE DIRECTOR’S REVIEW

### Financial highlights

I am pleased to report that we delivered a strong financial performance for 2018. Turnover was up 13%, and net fees<sup>(2)</sup> increased by 12% on both an actual and like-for-like basis, with operating profit up 15%, again on both an actual and like-for-like basis, to £243.4 million. We converted 100% of operating profit into operating cash flow. Our industry-leading conversion rate<sup>(3)</sup> improved by 50bps to 22.7% (2017: 22.2%), driven by positive leverage in RoW.

Our cash performance was strong, we ended the year with net cash of £122.9 million. As a result, the Board proposes to increase the final core dividend by 22% to 2.75p per share, resulting in an increase to the full-year core dividend to 3.81p per share, up 18% on prior year and covered 3.0x by earnings. Additionally, our strong cash position and our confidence in outlook, enabled the Board to propose a special dividend of 5.00p per share, in line with our dividend policy.

During the year, overall market conditions remained strong, with many clear opportunities to grow, notably in Australia, Germany and RoW. Within RoW, our Asia and Americas growth accelerated throughout the year. In the UK, our markets remain uncertain but are stable overall.

### Operating performance

Year ended 30 June (£s million)	2018	2017	Actual growth	LFL growth
Turnover <sup>(1)</sup>	<b>5,753.3</b>	5,081.0	13%	13%
Net fees <sup>(2)</sup>	<b>1,072.8</b>	954.6	12%	12%
Operating profit	<b>243.4</b>	211.5	15%	15%
Cash generated by operations	<b>243.5</b>	217.0	12%	
Profit before tax	<b>238.5</b>	204.6	17%	
Basic earnings per share	<b>11.44p</b>	9.66p	18%	
Dividend per share	<b>3.81p</b>	3.22p	18%	

Note: unless otherwise stated all growth rates discussed in the Finance Director’s Review are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of continuing operations at constant currency.

(1) Net fees of £1,072.8 million (2017: 954.6 million) are reconciled to statutory turnover of £5,753.3 million (2017: £5,081.0 million) in note 5 to the Consolidate Financial Statements.

(2) Net fees comprise Turnover less remuneration of temporary workers and other recruitment agencies.

Increase in Group net fee income

**+12%**

2017: +6%

Conversion rate of Group net fees into operating profit

**22.7%**

2017: 22.2%

Increase in operating profit

**+15%**

2017: +1%

Group consultant headcount up 8% year-on-year

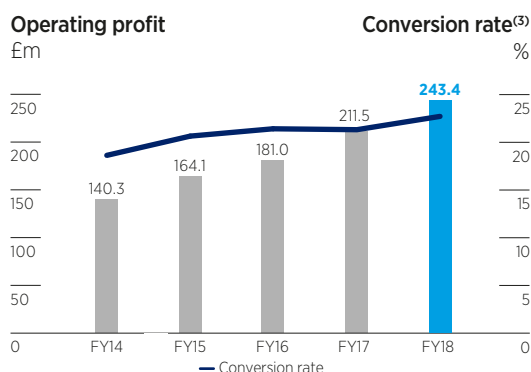
**7,464**

2017: 6,884

Total proposed and paid dividends

**£128.4m**

2017: £108.2m



### Foreign exchange

Overall, net currency movements versus sterling were minimal in the year. Over the course of the year to 30 June 2018, exchange rate movements reduced net fees by £0.1 million, and increased operating profit by £1.0 million.

Fluctuations in the rates of the Group's key operating currencies versus sterling continue to represent a significant sensitivity for the reported performance of our business. By way of illustration, each 1 cent movement in annual exchange rates of the Australian dollar and euro impacts net fees by £1.1 million and £3.8 million respectively per annum; and operating profits by £0.4 million and £1.2 million respectively per annum.

The rate of exchange between the Australian dollar and sterling over the year ended 30 June 2018 averaged AUD 1.7388 and closed at AUD 1.7847. As at 28 August 2018 the rate stood at AUD 1.7535. The rate of exchange between the euro and sterling over the year ended 30 June 2018 averaged €1.1290 and closed at €1.1307. As at 28 August 2018 the rate stood at €1.0996.

The impact of these movements in foreign exchange rates means that if we re-translate the Group's full-year operating profit of £243.4 million at 28 August 2018 exchange rates, the actual reported result would increase by c.£3 million to c.£246 million.

### Strong growth in International Temp and Perm

Net fees in Temp, which incorporates our Contracting business and represented 58% of Group net fees, increased by 10%. This comprised a volume increase of 13%, partially offset by underlying Temp margins<sup>(4)</sup> down 50bps at 15.9% (2017: 16.4%), primarily due to mix and a reduction in Temp margin in our Australia, Germany and UK markets. Net fees in Perm increased by 16%, with volumes up 11% and our average Perm net fee up 5%. Perm growth in our International businesses was strong and broad-based, and Perm net fees grew 1% in the UK.

### Movements in consultant headcount

Consultant headcount ended June 2018 at 7,464, up 8% year-on-year. In ANZ, consultant headcount was up 10% year-on-year, led by Australia up 12%. Our Germany consultant headcount was up 13%.

In UK & I, the division's consultant headcount was down 2% in the year, by natural attrition. In Rest of World (RoW), consultant headcount increased by 13% year-on-year, including material investments in the USA, Canada and China, where headcount was up 21%, 23% and 23% respectively. Over the last six months, Group consultant headcount growth was flat (versus December 2017).

### Current trading

We continue to see strong overall net fee growth across our International businesses. We will therefore continue to invest in a targeted way to capitalise on these opportunities. Conditions in the UK are stable overall.

Movements in the rates of exchange of the Group's key currencies, notably the Australian dollar and the euro, remain a material sensitivity to our reported financial performance.

We expect Group headcount growth in Q1 FY19 to be up c.3-5% sequentially, including the impact of our normal seasonal graduate intake. This will be primarily driven by our International businesses, particularly North America, Asia and Europe, including Germany and France.

Importantly, moving into FY19, we increasingly overlap tough growth comparatives from the prior year, especially in Australia and Europe.

### Australia & New Zealand

We continue to see good activity levels in Australia across all states and most specialisms, although we start to overlap increasingly tough growth comparatives in Q1 FY19.

### Germany

In Germany, growth remains strong overall, despite tough comparators.

### United Kingdom & Ireland

Conditions in the UK remain uncertain but stable.

### Rest of World

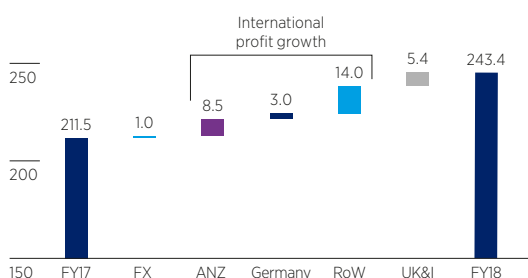
Conditions remain strong across Europe, Asia and the Americas.

(3) Conversion rate is the proportion of net fees converted into operating profit.

(4) The underlying gross margin is calculated as Temp net fees divided by Temp gross revenue and relates solely to Temp placements in which Hays generates net fees and specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third-party agencies and arrangements where the Company provides major payrolling services.



### Operating profit bridge: year-on-year growth £m



### Net finance charge

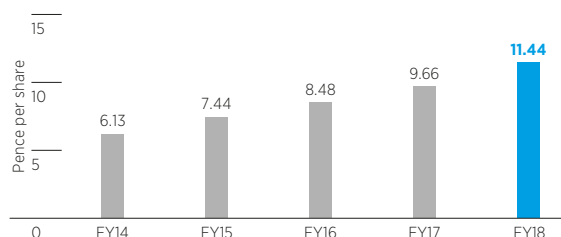
The net finance charge for the year was £4.9 million (2017: £6.9 million). The average interest rate on gross debt during the period was 2.0% (2017: 2.2%), generating net bank interest payable including amortisation of arrangement fees of £1.6 million (2017: £2.1 million). The net interest charge on defined benefit pension scheme obligations was £2.1 million (2017: £2.4 million). The Pension Protection Fund levy was £0.3 million (2017: £0.5 million) and the interest unwind on the deferred acquisition liability related to the Veredus transaction was £0.6 million (2017: £1.1 million). We expect the net finance charge for the year ending 30 June 2019 to be around £3.0 million.

### Taxation

Taxation for the year was £72.7 million (2017: £65.5 million), representing an effective tax rate of 30.5% (2017: 32.0%). The effective tax rate reflects the Group's geographical mix of profits, with the decrease year-on-year primarily due to increased profit in lower tax jurisdictions, and a reduction in UK tax rate. The Group's effective tax rate for the year to June 2019 will be driven by the mix of profits generated during the year. We currently expect the rate to be broadly unchanged at 30.5%.

### Earnings per share

Basic earnings per share increased by 18% to 11.44 pence (2017: 9.66 pence), reflecting the Group's higher operating profit, lower net finance charge and lower effective tax rate.

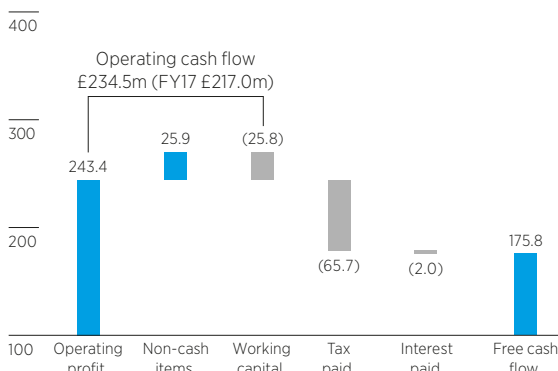


**“We continue to see strong overall net fee growth across our International businesses. Conditions in the UK are stable overall.”**

### Cash flow and balance sheet

Strong underlying cash performance with 100% conversion of operating profit into operating cash flow (2017: 103%). This was a result of good working capital management throughout the year, particularly considering the strong growth in our International Temp and Contracting businesses, which are relatively working capital-intensive. Trade debtor days were unchanged at 39 days (2017: 39 days).

### Operating profit to free cash flow conversion £m

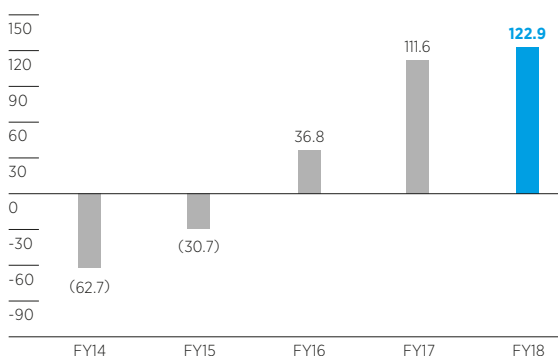


Net capital expenditure was £25.0 million (2017: £21.4 million), with the increase primarily due to investments in IT front and back office operational systems, cyber security and property. We expect capital expenditure to be c.£30 million for the year to June 2019.

Dividends paid in the year totalled £109.7 million and pension deficit contributions were £15.3 million. Net interest paid was £2.0 million and the cash tax payment was £65.7 million.

Having eliminated net debt in 2016 and paid a £61.6 million special dividend during the year, we ended June 2018 with a net cash position of £122.9 million.

### Closing net cash/(net debt) £m



### Retirement benefits

The Group's pension position under IAS19 at 30 June 2018 has resulted in a surplus of £75.9 million, compared to a deficit of £0.2 million at 30 June 2017. The surplus was primarily due to favourable changes in both demographics and financial assumptions (an increase in the discount rate and a decrease in the inflation rate), together with an increase in asset values.

In respect of IFRIC 14, the scheme's Definitive Deed and Rules is considered to provide Hays with an unconditional right to a refund of surplus assets and therefore the recognition of a net defined benefit scheme asset is not restricted. Agreements to make funding contributions do not give rise to any additional liabilities in respect of the scheme.

During the year the Company contributed £15.3 million of cash to the defined benefit scheme (2017: £14.8 million), in line with the agreed deficit recovery plan. The 2015 triennial valuation quantified the actuarial deficit at c.£95 million and the recovery plan comprises an annual payment of £14.0 million from July 2015, with a fixed 3% uplift per year, over a period of just under 10 years. The scheme was closed to new entrants in 2001 and to future accrual in June 2012. The formal actuarial valuation as at 30 June 2018 is currently being performed by the actuary and will be completed during FY19.

On 6 August 2018, Hays Pension Trustee Limited, in agreement with Hays plc, entered into a bulk purchase annuity policy (buy-in) contract with Canada Life Limited for a premium of £270.6 million in respect of insuring all future payments to the existing pensioners of the Hays defined benefit scheme as at 31 December 2017. The pension buy-in transaction was funded through the existing investment assets held by the Trustee on behalf of the pension scheme.

This material balance sheet de-risking exercise is in line with Hays' long-term strategy to reduce future volatility of the Group's defined benefit schemes, and their financial impact on the Group.

### Capital structure and dividend

The Board's priorities for our free cash flow are to fund the Group's investment and development, maintain a strong balance sheet and deliver a sustainable core dividend at a level which is both affordable and appropriate. Our strategy is to maintain dividend cover at the top end of 2.0x to 3.0x full-year earnings, and to match increases in core dividend with full year earnings growth. Assuming a positive outlook, it remains our intention that any excess free cash flow generated over-and-above £50 million, which is not needed for the priorities outlined above, will then be distributed to shareholders via special dividends to supplement the core dividend at year end.

With reference to the above, and taking into account the good financial performance of the Group this year, the Board proposes to increase the final core dividend by 22% to 2.75p per share resulting in an increase to the full-year dividend to 3.81p per share, up 18% on prior year. As such, the full-year dividend will be covered 3.0x by earnings. Additionally, in line with the above policy on uses of excess cash flow, the Board recommends the payment

of a special dividend of £72.9 million, equivalent to 5.00p per share, up 18% on prior year. The final dividend and the special dividend will be paid, subject to shareholder approval, on 16 November 2018 to shareholders on the register on 5 October 2018.

### Treasury management

The Group's operations are financed by retained earnings and bank borrowings. The Group has in place a £210 million revolving credit facility, maturing in April 2020, which provides considerable headroom versus current and future Group funding requirements. The covenants within the facility require the Group's interest cover ratio to be at least 4:1 (ratio as at June 2018: 123:1) and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1 (as at 30 June 2018 the Group held a net cash position). The interest rate of the facility is on a ratchet mechanism with a margin payable over LIBOR in the range 0.90% to 1.55%.

The Group's UK-based treasury function manages the Group's treasury risks in accordance with policies and procedures set by the Board, and is responsible for day-to-day cash management; the arrangement of external borrowing facilities; the investment of surplus funds; and the management of the Group's interest rate and foreign exchange risks. The Treasury function does not engage in speculative transactions and does not operate as a profit centre, and the Group does not hold or use derivative financial instruments for speculative purposes.

The Group's cash management policy is to minimise interest payments by closely managing Group cash balances and external borrowings. Euro-denominated cash positions are managed centrally using a cash concentration arrangement which provides visibility over participating country bank balances on a daily basis. Any Group surplus balance is used to repay any maturing loans under the Group's revolving credit facility or is invested in overnight money market funds. As the Group holds a sterling-denominated debt facility and generates significant foreign currency cash flows, the Board considers it appropriate in certain cases to use derivative financial instruments as part of its day-to-day cash management. The Group does not use derivatives to hedge balance sheet and income statement translation exposure.

The Group is exposed to interest rate risk on floating rate bank loans and overdrafts. It is the Group's policy to limit its exposure to interest rates by selectively hedging interest rate risk using derivative financial instruments. However there were no interest rate swaps held by the Group during the current or prior year.

Counterparty credit risk arises primarily from the investment of surplus funds. Risks are closely monitored using credit ratings assigned to financial institutions by international credit rating agencies. The Group restricts transactions to banks and money market funds that have an acceptable credit profile and limits its exposure to each institution accordingly.

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

## Principal risks

# MANAGING RISKS TO ACHIEVE OUR STRATEGIC GROWTH TARGETS

We focus on key risks which could impact on the achievement of our strategic goals and, therefore, on the performance of our business.

### Our risk appetite

Responsibility for the level of risk that the Group is willing to accept is vested in the Hays plc Board. The Board links its risk appetite and strategic objectives, which are then mapped against defined impact and likelihood scales. From here it is able to determine what is an acceptable level of risk. Hays has a proactive approach to measuring performance and considers risk as an integral part of decision-making, both about current and future performance throughout the global businesses.

The principal risks have been mapped through our risk appetite process in order to identify both position and tolerance levels and to assess the mitigating actions.

Hays operates a measured risk appetite position due to the nature of the recruitment market, being a cyclical business and sensitive to macroeconomic conditions, which results in a lack of forward visibility of fees and increases the overall risk environment.

### Risk attributes

When considering risk appetite the Board considers this in terms of the following attributes:

- Experienced and stable management team globally;
- Strong balance sheet, including the level of operational gearing; and
- Clear and open communication channels.

### Risk governance – identifying, evaluating and managing risk

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 policies on risk and control to management and needs to assure itself on an ongoing basis that management is responding appropriately to these risks and controls.

Ownership and responsibility for operating risk management and controls is vested in management by the Board, and management needs to provide leadership and direction to the employees to ensure the organisation's overall risk-taking activity is managed in relation to the agreed level of risk appetite.

To manage the effectiveness of this the Board and management need to rely on adequate line functions, including monitoring and assurance functions, within the organisation. As such the organisation operates the 'Three Lines of Defence' model as a way of explaining the relationship between these functions and demonstrating how responsibilities are allocated:

- The first line of defence: responsibility to own and manage risk;
- The second line of defence: responsibility to monitor and oversee risk;
- The third line of defence: functions that provide independent assurance.

The Group Risk Committee, chaired by the Group Finance Director and comprising senior operational, IT, legal and finance representatives, assists in the strategic management and development of risk in the Group.

In addition, to further enhance risk oversight and management, a Chief Risk Officer was appointed in August 2018.

### How we monitor our progress – three lines of defence

#### Board & Audit Committee

#### Management Board

#### First line of defence:

- Management Controls
- Policies and Procedures
- Internal Control

#### Second line of defence:

- Financial Control
- Security
- Risk Management
- KPIs
- Compliance
- Group Risk Committee

#### Third line of defence:

- Internal Audit
- External Advisers
- Regulatory Reviews

Ownership & Management

Monitor & Oversight

Independent Assurance

### **Risk identification and impact – Hays’ principal risks are analysed on a gross (pre-mitigation) and net (post-mitigation) basis**

The Management Board oversees an enterprise risk management framework, 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 prioritises them according to risk magnitude and likelihood. Risks covered include operational, financial and reputational risks, as well as compliance and people-related 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.

### **Viability statement**

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the prospects of the Group over a period longer than the 12 months from the date of approval of the financial statements.

The Directors believe that a three-year period ending 30 June 2021 is the most relevant time period over which to provide the viability statement, being supported by the appraisal of the principal risks and mitigating internal controls. This allows the Directors to assess and conclude that the Group will be able to operate within its existing bank covenants and maintain appropriate bank facilities to meet its funding requirements over a three-year period, being backed by the £210 million revolving credit facility in place until April 2020, which the Company anticipates no problem in renewing and fully intends to do so.

This three-year period also reflects our three-year planning cycle, which covers the same period, and considers the fast moving nature of the industry. As such, collectively these factors allow the directors a reasonable expectation, predicated on the basis that there are no unforeseen events outside of the Group’s control that inhibit the Company’s ability to continue trading, and that using a three-year period it is possible to form a reasonable expectation as to the Group’s longer-term viability.

### **Process to assess the Group’s prospects**

As in prior years, the Board undertook a strategic business review in the current year taking into account the Group’s current position and the potential impact of the principal risks set out on pages 40 to 42 of the Annual Report.

In addition and in making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten the Group’s business model, future performance and liquidity. While the review has considered all the principal risks identified by the Group, the resilience of the Group to the occurrence of these risks in severe yet plausible scenarios has been evaluated.

### **Stress testing**

The Board approves an annual budget and reviews monthly management reports and quarterly forecasts. The output of the planning and budgeting processes has been used to perform a sensitivity analysis to the Group’s cash flow to model the potential effects should principal risks actually occur either individually or in unison.

The sensitivity analysis included loss of business arising from a prolonged global downturn and an assessment of a range of possible outcomes arising from the UK’s vote to leave the European Union.

Set against these downside risks, the Board considered key mitigating factors including the geographic diversity of the Group, its balanced business model across Temporary, Permanent and Contract recruitment services, and the significant working capital inflows which arise in periods of severe downturn, particularly in the Temporary recruitment business, thus protecting liquidity as was the case during the global financial crisis of 2008/09.

In addition, the Group’s history of strong cash generation, tight cost control and flexible workforce management provides further protection. The Group also has in place a £210 million revolving credit facility with a suite of banks until 2020, and the latest actuarial valuation of its defined benefit pension scheme maintains cash outflows broadly at their existing level.

### **Confirmation of longer-term viability**

Based on the above assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 30 June 2021.

### **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 to 20 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.

### **Risk trends**

The ongoing review of the Group’s principal risks includes how these risks evolve. Changes in the trend/direction of our principal risks are noted against each risk on the following pages of this Report.

## 1. Macroeconomic/cyclical business exposure

### Movement in year



### Risk description

The performance of the Group is significantly impacted by changes to underlying economic and geopolitical activity, the levels of business confidence as businesses consider Permanent and Temporary hiring decisions and levels of candidate confidence, which impact their propensity to change jobs, particularly in our three biggest businesses in the UK, Germany and Australia.

Brexit specific: The Brexit decision, coupled with the political environment in the UK, continues to increase the level of uncertainty and therefore increases the risk of negatively impacting the trading performance in our UK business, as clients have become more cautious in headcount investment.

### Risk impact

– Financial

### Risk mitigation

Hays has continued to diversify its operations to include a balance of both Temporary and Permanent recruitment services to private and public sector markets, and operates across 33 markets and 20 sector specialisms. Progress is being made to further diversify the business to reduce the Group's reliance on the UK, Germany and Australia, which currently represent 66% of the Group's net fees.

Hays' cost base is highly variable and carefully managed to align with business activity, and can be focused and scaled accordingly to react to the individual markets. Temporary recruitment tends to be more resilient in times of economic uncertainty or downturn.

Hays is highly cash-generative, requiring low levels of asset investment. Cash collection is a priority, and the Group has made appropriate investment in its credit control and working capital management processes, resulting in the elimination of Group net debt last year and a year-end net cash positive position last year and this year.

In the run up to and the immediate aftermath of the EU referendum, we saw a significant reduction in UK activity and thus fees and profits. While this has stabilised, we continue to face significant potential uncertainty over the next few years.

[Link to relevant strategic priority](#)



## 2. Business model

### Movement in year



### Risk description

The Group faces competition from the increasing use of digital technologies for recruitment services and a growing trend towards outsourced recruitment models with associated margin pressures, which may impact materially on the business should Hays not continue to take appropriate actions and respond effectively.

Social media and internet-enabled digital dynamics and recruitment value chain disintermediation, amongst other things, have increased the risk to the business model over the course of the year.

### Risk impact

– Operational  
– Financial

### Risk mitigation

Hays monitors industry trends and opportunities, including social media and insourcing, and continues to invest in our online presence to provide a high-quality customer experience.

Our key relationships (such as with LinkedIn, SEEK and Xing) increase our exposure to online professional networking and recruitment portals and enhance our value proposition to clients and candidates.

Our expert and specialist consultants are trained in utilising social media and other digital technologies to enhance their day-to-day activities in providing the best quality candidates to our clients.

We continue to leverage our broad geographical and sectoral footprint to win and maintain a significant number of multispecialism contracts with large corporate organisations, which has strengthened our relationship with these clients and increased our share of their recruitment spend.

Significant investment made in recent years has enhanced data analytics and significantly improved our approach to, and engagement with, candidates. The initiative is overseen by the Group Data Marketing Director.

[Link to relevant strategic priority](#)





### 3. Talent

#### Movement in year



#### Risk description

The Group is reliant on its ability to recruit, develop and retain staff to protect the business it has today and to deliver its future growth plans, especially internationally, both at a business director, manager and consultant level. Its strategy is to grow and nurture talent internally into senior roles wherever possible.

#### Risk impact

- People
- Financial

#### Risk mitigation

Hays provides a defined and sustainable career development path for new hires, starting with a structured induction programme and ongoing training as they advance their careers, supported by formalised performance and career tracking.

Development Centres focus on the progress of high-potential individuals, providing further development opportunities and also helping to identify any talent gaps and training needs. A new International Leadership Management Programme focuses on senior leadership and development and is aligned with the Group's business strategy.

Overall, our remuneration packages are competitive, including an employee benefit programme, together with a long-term incentive scheme that is offered to broadly 350 senior managers, which encourages a performance-led culture and aids retention.

Succession plans identify future potential leaders of the business and produce individual development plans in which to harness and cultivate talent.

The Group's standard employment contracts include notice periods and non-solicitation provisions in the event of an employee leaving.

[Link to relevant strategic priority](#)



### 4. Compliance

#### Movement in year



#### Risk description

The Group operates in 33 countries, with each operating its own legislative, regulatory, compliance and tax rules, especially for Temporary workers, with any non-compliance increasing the Group's exposure to potential legal, financial and reputational risk.

#### Risk impact

- Compliance
- Financial
- Reputational

#### Risk mitigation

Compliance processes and monitoring are tailored to specific specialisms, ensuring additional focus is given to higher-risk specialisms such as Education and Healthcare in the UK, Construction & Property in Australia and specialised corporate contracts through Hays Talent Solutions.

Employees receive training in respect of the operating standards applicable to their role, with additional support provided by compliance functions, regional legal teams and, where necessary, external advisers.

All staff receive regular training to ensure that legal and compliance updates are understood and applied. In territories where legislation sets out additional compliance requirements, specialists are employed.

Dedicated compliance auditors conduct sample checks to ensure that the appropriate candidate vetting checks and due diligence obligations are carried out in line with legal and contractual requirements.

The Group holds all standard business insurance cover, including employers' liability, public liability and professional indemnity insurance.

[Link to relevant strategic priority](#)



### 5. Reliance on technology

#### Movement in year



#### Risk description

Our dependence on technology in our day-to-day business means that systems failure due to technical issues or cyber attack may have a significant impact on our operations and ability to deliver our services if it continued for a number of days and, as such, could negatively impact our financial performance and reputation.

The global threat of cyber attack continues to increase over the course of the year.

#### Risk impact

- Operational
- Financial
- Reputational

#### Risk mitigation

The Group's technology strategy is continually reviewed to ensure that the systems it operates across the Group support its strategic direction.

Ongoing asset life-cycle management programmes mitigate risks of hardware and software obsolescence.

Technology systems are housed in various data centres and the Group has capacity to cope with a data centre's loss through the establishment of disaster recovery sites. These are physically based in separate locations to the ongoing operations, intrinsically linked to continuity plans.

Across the regions we have established dedicated security teams in order to ensure that the systems are best protected from unauthorised access, both externally and internally, and including ensuring that anti-virus software is in place and up-to-date, with regular testing of these environments by external providers.

We use external advisers to perform regular external and internal physical and logical penetration tests on all major systems and operations and implement any required improvements resulting from such tests as part of a continuous improvement process.

[Link to relevant strategic priority](#)



## 6. Data protection

### Movement in year



#### Risk description

The business works with personal data in all 33 countries on a daily basis under a variety of laws and regulations. A material data breach could expose the Group to potential legal, financial and reputational risks in the form of penalties and loss of business.

Hays' preparations for the introduction of the General Data Protection Regulation (GDPR) in EU countries began over 18 months ago. While well-prepared for its introduction, its complexity and variance from other privacy-related regulations in the non-EU territories in which we operate have increased risk in this area.

#### Risk impact

- Compliance
- Financial
- Reputational

#### Risk mitigation

Robust procedures for processing, storing and transfer of personal data are in place across the Group, on both a physical and logical basis.

Comprehensive data protection and information security policies and procedures are in place across the Group and, where data protection and privacy legislation allows, protective email monitoring programmes are undertaken to address potential areas of concern, to best protect our confidential information and candidates' personal data.

Attention has been focused in this area, with the increased threat of cyber attacks globally, and security vulnerability is assessed as part of the ongoing IT strategy across the Group.

We use external advisers to perform regular external and internal physical and logical penetration tests on all major systems and operations and implement any required improvements resulting from such tests as part of a continuous improvement process.

Significant work was undertaken to prepare for the introduction of the GDPR in May 2018.

Annual training programmes have also been updated to reflect the new regulations, where relevant.

[Link to relevant strategic priority](#)



## 7. Contracts

### Movement in year



#### Risk description

The Group enters into contractual arrangements with clients, some of which can be on onerous terms and/or impacted by local regulatory requirements, especially in relation to Temp/Contracting markets.

#### Risk impact

- Operational
- Financial
- Reputational

#### Risk mitigation

During contract negotiations management seek to minimise risk and ensure that the nature of risks and their potential impact is understood.

Our global legal team has the depth of knowledge and experience to enable them to advise management on the level of risk presented in increasingly onerous contracts, with clear guidelines in operation.

The Group Finance Director reviews all commercial contracts with onerous non-standard terms in accordance with the Group's risk appetite. In addition, the Group's Insurance Manager reviews onerous contracts and, where necessary, engages with insurance providers to ensure that risks are covered.

Reviews are performed on a risk basis across key contracts to identify compliance and agree improvements to the way in which we deliver services to clients.

Assurance work is undertaken in key markets by Internal Audit to ensure contractual obligations are appropriately managed.

[Link to relevant strategic priority](#)



# ACTING RESPONSIBLY

Our good conduct is the foundation of our reputation and the trust our clients place in us. In making economic decisions, we have regard to the impact of those decisions on other stakeholders, including society and the wider environment.



## Non-financial performance reporting

Hays recognises the importance of sustainability agendas to all stakeholders. This isn't simply the benefits for investors, but the broader impact we can have on people's lives; it could be directly, through employment with us or as a candidate whom we place in a role, to the less direct, but in many ways more obvious and easier to achieve, such as doing business 'the right way' to ensure fair rates of tax are paid and discrimination and labour exploitation are not tolerated.

We intend to build on our efforts to achieve a more coordinated approach to sustainability. We will look to implement a Group-wide framework and consider whether targets are an appropriate means by which we can drive behaviours and continuously improve how we perform.

We will look at existing initiatives, such as the UN Sustainable Development Goals and GRI, to assess which, if any, we can adopt to support our strategic priorities to have the biggest impact.

At Hays we view corporate social responsibility as an integral part of the way we do business. Hays provides an environment for our people to thrive and grow in their roles. This provides the opportunity to meet one of the most fundamental needs in society, the importance of an individual's ability to earn a financial income, allowing them to be self-sufficient.

## Values

We are leading global experts in qualified, professional and skilled recruitment. By truly understanding our candidates and clients, locally and globally, we help people and companies achieve lasting impact. Our values aim to reflect this promise, and underpin our skills, behaviours and way of doing business. These values are:

- **Ambitious:** As a results-orientated company we are continually driven to succeed. Our energy and dynamism makes us ambitious for our people, clients and candidates, and for the positive impact we know recruiting can have in their lives.
- **Passionate about people:** We are a people business so we're passionate about creating valuable relationships with everyone with whom we work. Our enthusiasm compels us to find the right person, believing this is fundamental to improving their life and work, allowing people to be all they can be.

- **Expert:** As experts across many industry sectors and professions, our professional know-how and unique understanding of markets and people is shared with our clients, candidates and across our expanding global network.
- **Inquisitive:** We're always curious, wanting to understand more about people and the world of work. That's how we build deeper knowledge into what makes people fit culturally and how companies and people can achieve their full potential. Information on some of the policies that underpin our approach to acting responsibly are provided below.

## Employee policies

Hays is the ultimate people business and, as such, the ability to attract, develop, enable and retain the very best consultants and managers in our industry is vital to our success. We aim to create an exciting and vibrant work environment and culture and we work continuously to provide our people with attractive career paths that will make them experts in their fields.

Respect for people and becoming an 'Employer of Choice' are the core values in our approach. Our aim is to create an open, honest and unprejudiced working environment and to ensure that all our colleagues feel part of Hays and are respected as individuals.

Hays gives full consideration to applications for employment from disabled persons where they have the right skills and abilities for the role. Should an employee become disabled while working for the Group, Hays would make every effort to accommodate them, to assist them in any re-training or to find suitable alternative employment within the Group. We pursue equality of opportunity, treatment and diversity through our employment policies and encourage our employees to reach their full potential through training and development.

Hays continues to provide tailored training to the people who are in the front line of delivering recruitment solutions as well as in management and leadership roles. These programmes take a number of different guises across the Group's regional businesses but all share the common goal of improving the service we provide to clients.

Hays in Germany, Austria and Switzerland received the title 'Top Employer 2018' for outstanding and modern personnel management, which is once again a great honour for us.

In France, we took first place in the 'Recruitment Consulting' category under the 2018 Figure World Ranking.

## Diversity at Hays

At Hays, diversity means understanding and reflecting the community in which we operate, and building loyalty with our colleagues, candidates and clients. Differences such as age, gender, ethnicity, physical appearance, religion, disability, education and beliefs are valued and everyone has the opportunity to contribute to the Company and fulfil their potential.

Equality, diversity and inclusion are devolved within the Group to operate at a country level, and policies supporting this are adopted locally. We do not at this stage have one Group-wide policy that encourages or targets diversity across the Group but, instead, policies that actively discourage ignorance of it.

In the UK for example, Hays is delighted to have achieved the National Equality Standard (NES), one of the UK's most rigorous and prestigious accreditations for equality, diversity and inclusion (ED&I). Hays is one of only 20 organisations nationwide to be accredited.

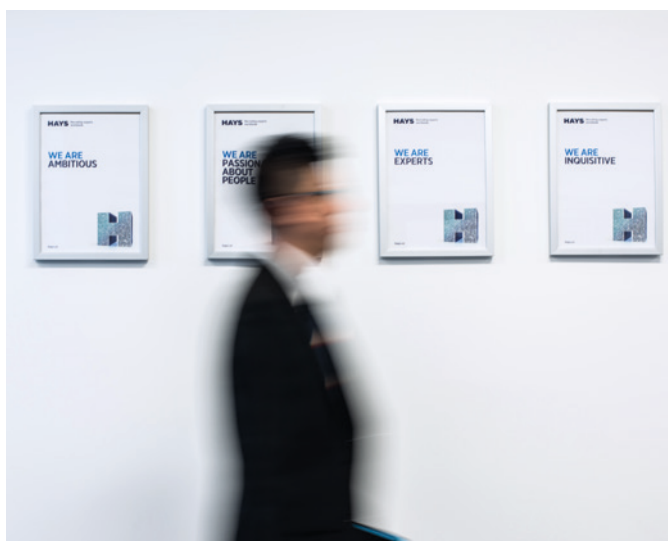
It recognises our long-term commitment to developing a meritocratic, open and honest culture – we want the best and brightest to flourish at Hays, regardless of background. Since accreditation to the NES over two years ago, we have undertaken new projects and initiatives, and strengthened existing ones, to build an even stronger culture of ED&I. All new employees in the UK undergo training around respecting diversity.

We value and utilise the differences that our people bring to our business and in the competitive environment in which we operate, it is therefore essential that we attract and retain the best people and those that reflect the client and candidate groups we serve.

At Hays we share a passion for creating opportunities for our people to flourish and succeed, whatever their background. We know that diversity of perspective and an inclusive approach is great for business and careers with us. By reflecting our marketplace and embracing difference we can continue to drive an outstanding organisational culture that impacts business results and delivers world-class service to our customers. Fundamental to our leading expertise is a shared commitment to equality and to capturing the dynamism that diversity and inclusion bring to our workplace.

We are embarking on a more coordinated initiative around sustainability and corporate purpose and ED&I will form part of this workstream.

Diversity and Inclusion and 'harnessing the value of difference' is a growing priority for many of our clients. More and more clients are asking Hays to assist them to achieve their goals of building a diverse and skilled workforce. We conduct regular surveys and issue supporting reports and media releases about diversity to continue to raise awareness and encourage an ongoing dialogue on this important employment topic. While we can advise on all areas of diversity, our initial recruiting-linked focus has been on increasing the participation of women in the world of work.



Our values underpin our skills, behaviours and way of doing business.

## Employee involvement

Ongoing communication forms the basis of the partnership between Hays' leadership and its employees. Employees receive business performance updates from Alistair Cox, the Chief Executive, and from their respective regional Managing Directors, by email on a four-weekly basis. These are posted on the Group's intranet, which acts as a source of reference for the Group's brand, values, policies and procedures.

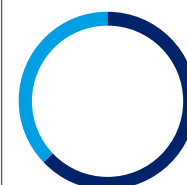
Regular presentations are also made to employees by the Chief Executive and regional Managing Directors during office visits made over the course of the year.

To ensure that employees remain engaged in our business, an annual employee engagement survey, known as TALKback, is carried out each year. This allows employees to voice their views and opinions on all aspects of their workplace environment, training and development, work culture, leadership and client relations. The results, which indicate employee engagement levels and highlight any areas of concern, are presented to the Management Board and to the Board.

Hays believes in the value of loyalty and considers its employee incentive programme of commission schemes, performance-related cash bonuses and share schemes to be important factors in keeping its employees motivated. The employee share schemes have been running successfully since inception and provide many employees with an additional stake in the business.

Gender statistics as at 30 June 2018 are provided in the adjacent charts.

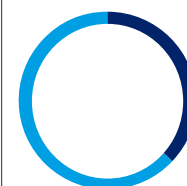
### Split of PLC Board Members



### Split of Senior Management team members



### Split of employees





### Equal opportunities

Our Equal Opportunity Policy forms part of our Code of Conduct and Ethics Policy. We make every effort to ensure that no discrimination arises during the recruitment, employment and period after employment of any employee for reasons of gender, sexual orientation, marital status, creed, colour, race, nationality, ethnic or national origin, religious or other belief, political opinion, spent convictions, disability or age, and all employees are expected to deal with all persons with the same attention, courtesy and consideration. This support of equal opportunities applies not only as a direct employer but also in our introduction of candidates to clients.

### Community

Finding people jobs is a vital benefit to society. In addition, we invest in our communities, including direct initiatives through charities to improve the employment prospects of the disadvantaged.

At Hays, we use our position as the market leading recruitment consultancy to provide clients with relevant information and raise awareness about topical issues affecting employment.

Some examples of community activities from across the Group are provided below.

In Australia we have an affiliation with the National Disability Recruitment Coordinator (NDRC) to help organisations implement processes and strategies to promote the recruitment and retention of people with disability. The Hays Guide to Disability in the Recruitment Process, offers our clients useful information about improving all aspects of the recruitment cycle.

Through our affiliation with the NDRC we can broadcast our roles to the disability employment network either for individual positions or entire recruitment campaigns. In Poland, Hays is Co-organiser of Warszawa Business Run, the biggest charity relay in Poland and we have worked with them for four years now. We collect money to help amputees get back to normal life. The main theme is run for a reason – so able-bodied people run in teams of five to help people with disabilities in the run.

Hays Ireland work with JobCare to help those stuck in the trap of unemployment. This initiative is aimed at members of the community who are long-term unemployed and Hays provide their expertise and time to help people gain the skills, knowledge and confidence necessary to secure appropriate work. This is our eighth year working with JobCare and over the last 12 months Hays has visited the JobCare centre to deliver CV, cover letter and LinkedIn clinics. We have also hosted JobCare clients in the Hays offices for comprehensive mock interviews aimed at preparing the clients for the real thing.

### Human rights

Our relationships with clients, candidates, employees, business partners, suppliers and the communities within which we operate are based upon respect for individuals and their human rights.

At Hays we are committed to our Code of Conduct and Ethics Policy, which reflects the way we operate including in relation to human rights. All staff within Hays are expected to act with integrity and honesty and behave in a way that is above reproach, as well as treat people fairly, with courtesy and respect, be responsible, respect diversity and communicate openly.

### Anti-bribery and corruption

Hays has a zero-tolerance approach to bribery and corruption.

All employees are required to comply with the Hays Anti-Bribery and Corruption Policy and undertake training on it on an annual basis. The policy prohibits the giving or receiving of bribes in any form. All our employees are expected to act with honesty, integrity and fairness. The offer or acceptance of any form of bribery is prohibited, including facilitation fees. Hospitality, gifts and improper offers or payments that seek to induce or reward improper performance or might appear to place any person under an obligation are prohibited.

All Hays companies and employees will adhere to the highest ethical and legal standards in business dealings throughout the world. Conflicts of interest that interfere with proper performance or independent judgment are prohibited.

We expect our staff to communicate transparently and honestly with our clients, candidates, business partners, suppliers and governmental and regulatory bodies, within the legal framework of privacy and confidentiality.





### Supplier code of conduct

We expect our suppliers and potential suppliers to aim for high ethical standards and to operate in an ethical, legally-compliant and professional manner by adhering to our Supplier Code of Conduct. We also expect our suppliers to promote similar standards in their own supply chain.

Our Supplier Code of Conduct can be found on our website at [haysplc.com](http://haysplc.com).

### Environmental matters

#### FTSE4Good Index

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Hays plc has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

#### Greenhouse gas emissions

We are committed to operating our businesses in an increasingly sustainable manner and will seek to reduce our environmental impact year on year. This year our intensity ratio fell 5%.

Under our Environmental policy, we are committed to achieving continuous improvement in environmental performance and to preventing pollution. As a FTSE4 Good member, we also ensure that suppliers and contractors are encouraged to minimise the impact of their operations on the environment and actively support our environmental programmes through an environmentally sensitive purchasing policy.

We participate in the Carbon Disclosure Project (CDP) Climate Change Survey and have different initiatives to ensure that we do all we can to improve our carbon footprint by reducing energy consumption by our employees.

Hays gathers data from every office around the world in order to calculate our greenhouse gas (GHG) emissions in accordance with the World Resources Institute (WRI) Greenhouse Gas Protocol. We measure our annual emissions in relation to employees (our 'intensity ratio').

As a people-based business, number of employees is a quantifiable factor associated with our activities. Our reporting year for GHG emissions is 1 April 2017 to 31 March 2018, and this year, notwithstanding an increased number of employees in the Group, our employee intensity per tonne CO<sub>2</sub>e was 1.50 (against 1.58 last year).

### Regulatory compliance

#### UK Gender Pay Gap Report

We are committed to being transparent in our reporting and about the steps we are taking to continue to ensure that both women and men have the same career support and development and are able to reach their full potential. The UK Gender Pay Gap Report explains the Gender Pay Gap reporting requirements, how they affect Hays, our results and the steps we continue to take to support diversity and equal opportunities for everyone.

Hays is committed to the following:

- Ensuring that everyone has the same opportunities and support to progress in their career; and
- Supporting our employees in balancing their work and home commitments, whether this be through flexible working or other supportive policies such as shared parental leave.

Our UK Gender Pay Gap Report can be found on our website, [haysplc.com](http://haysplc.com).



FTSE4Good

Impact	Scope	Resource	2018		2017	
			Total GHGs (tonnes CO <sub>2</sub> e) <sup>(1)</sup>	% contribution to total	Total GHGs (tonnes CO <sub>2</sub> e) <sup>(1)</sup>	% contribution to total
<b>Direct</b>	Scope 1	Operational fuel	108	1	115	1
		Vehicle fuel	4,629	29	4,511	30
		Refrigerant	548	3	383	2
<b>Indirect</b>	Scope 2	Electricity <sup>(2)</sup>	5,187	32	5,590	37
		District heating	363	2	396	3
	Scope 3	Air travel	4,079	25	3,292	21
		Rail travel	253	2	260	2
		Electricity T&D losses	516	3	540	3
		Private cars (business use)	452	3	192	1
<b>Total direct and indirect</b>			<b>16,135</b>	<b>100</b>	<b>15,279</b>	<b>100</b>

(1) Greenhouse gas emissions are stated in tonnes of CO<sub>2</sub>e (carbon dioxide equivalent, comprising carbon dioxide, methane and nitrous oxide) for the 12-month period ended 31 March 2018. Out-of-scope Indirect emissions, which were the biogenic part of vehicle fuels, totalled 253 tonnes of CO<sub>2</sub>e (167 tonnes in FY17).

(2) All electricity totals are calculated using 2015 government location-based conversion factors.

**Modern Slavery Act Statement**

Hays plc and its global subsidiaries (Hays) recognise that all businesses have an obligation to prevent slavery and human trafficking and will do all in its power to prevent slavery and human trafficking within its business and within the supply chains through which it operates.

Hays ensures strict compliance checks are carried out on all candidates it supplies. We verify the identity of each worker and their right to work before supply commences.

The Company's Modern Slavery Act statement can be found on our website, [haysplc.com](https://haysplc.com).

**Tax strategy**

Hays plc is firm in its belief that tax matters. As a business we understand that tax helps to fund vital public services and infrastructure, and when paid fairly it ensures a level playing field for businesses, whether large or small.

The Company's Tax Strategy, compliant with the UK Finance Act 2016, Schedule 19, can be found on our website, [haysplc.com](https://haysplc.com), and applies across the Group.

**Non-financial performance reporting**

We comply with the requirements under the provisions of The Companies Act 2006 contained in sections 414CA and 414CB of the Companies Act 2006. The information provided above is to help our stakeholders to understand our stance on key non-financial matters.

By order of the Board

**Doug Evans**

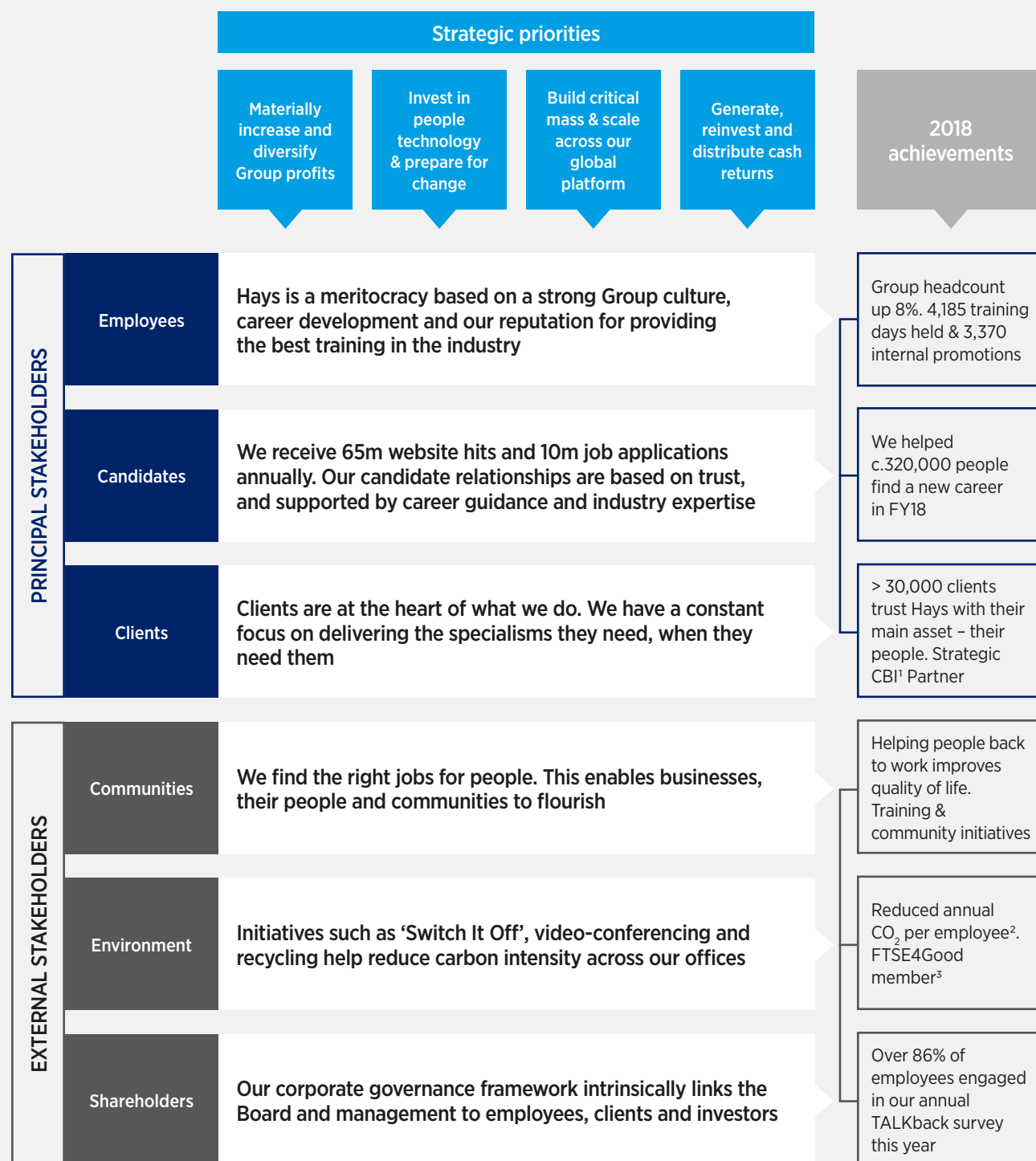
Company Secretary

29 August 2018



Hays in Germany is trialling the use of electric vehicles to reduce their impact on the environment.

## Acting responsibly for all stakeholders is embedded in our strategic priorities



(1) CBI = Confederation of British Industry.

(2) Our employee GHG emission intensity per tonne CO<sub>2</sub>e was 1.50 in 2018 (against 1.58 last year).

(3) Hays plc has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.