

## STRATEGIC REPORT

The Directors present their Strategic Report on Reed Specialist Recruitment Limited (“the Company”) for the year ended 30th June 2020.

### Review of the business

Reed Specialist Recruitment Limited is a specialist provider of permanent, contract, temporary and outsourced recruitment solutions. The Company assists job seekers and employers across 20 specialisms and is a private limited company incorporated in the United Kingdom.

### Trading results

The Company’s trading results are set out in the Income Statement on page 24.

Trading in the latter part of the financial year was deeply affected by Covid-19. The implementation of lockdown measures meant that in the final quarter there were materially fewer permanent placements and less temporary workers in bookings. The business put in place various cost saving measures to limit the effect on profit, as well as making some use of government support, as outlined in the Covid-19 disclosure in the “Principal Risks” section, below. Cash collection continued to be strong throughout the year which has allowed the business to maintain a strong cash position

### Key performance indicators

	2020	2019
Gross margin	13.0%	14.4%
Net profit margin	(0.2%)	0.6%
Number of active business units	328	364
Co-Member cost ratio	10.0%	10.2%
Current ratio	1.22	1.23

### Future developments

The Directors do not expect significant changes to the business in the foreseeable future. No events took place post 30th June 2020 which require disclosure.

### Notes to key performance indicators

- Gross margin calculated as gross profit as a percentage of turnover.
- Net profit margin calculated as operating profit as a percentage of turnover.
- An active business unit represents an active specialism within an office
- Co-Member cost ratio represents the staff costs as a percentage of turnover. The percentage split is in line with our expectations.
- Current ratio is derived by dividing current assets by current liabilities and is a good indicator of a Company's ability to meet short-term debt obligations; the higher the ratio, the more liquid the Company is. The current ratio is in line with our expectations and in line with the previous year.

## **STRATEGIC REPORT (continued)**

### **Principal risks**

Any downturn in the economic environment has historically been the greatest risk to the service sector. The Company has mitigated these risks through its ability to manage its cost base and to adjust headcount during periods of economic uncertainty.

The business is also exposed to changes in government policy in the markets in which it operates such as changes in the legislation around sensitive data management and employment laws.

To mitigate these risks, the Company has implemented annual GDPR training for all Co-Members and made available Data Protection, Processing, Retention and Destruction Policies for Co-Members on the intranet.

### **COVID-19**

Covid-19 impacted the Company dramatically in March 2020 but it responded decisively. The Company created a number of forums to formulate its response in the key areas of client strategy, remote working, cash control, headcount & costs, and operations, which proved an effective way of managing the various challenges that the Company faced.

Throughout the pandemic, the Company used various means to control costs; a hiring freeze was quickly introduced, a significant number of Co-Members were furloughed and reduced hours were implemented for most of the remaining Co-Members. There was also the rationalisation of a number of roles, driven by actions that were already in progress prior to Covid-19.

The Company also received government support in the form of the Retail, Hospitality & Leisure Grant, Business Rates Relief, the Coronavirus Job Retention Scheme and VAT/PAYE payment deferrals. Cash was of paramount importance and strong credit control and cash collections further ensured that the Company could robustly withstand the financial pressures of Covid-19 and be positioned for future growth.

### **Financial risks**

The Company's operations expose it to a variety of financial risks including the effects of changes in interest rates, credit risk and liquidity risk.

The Company does not have material exposures in any of the areas identified above and consequently does not use derivative instruments to manage these exposures.

The Company's principal financial instruments comprise sterling cash and bank deposits, together with trade & intercompany debtors and trade and intercompany creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments can be analysed as follows:

## **STRATEGIC REPORT (continued)**

### **Credit risk**

The Company's principal financial assets are trade and intercompany debtors, which represent the Company's major exposure to credit risk in relation to the financial assets. Reporting in this area covers weekly aged debt for every significant client as well as overall ledger profiles from the invoicing date taking into account any pre-agreed payment terms.

The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the expected credit loss (ECL) and specific circumstances impacting certain customers. When Covid-19 first impacted, there were concerns that the Company would see an increase in non-collectable debt, however, this has not materialised. Therefore, the Company has not seen any negative impact on its ECL on the balances recognised as at year end.

The Company has no significant concentration of credit risk, with the exposure spread over a large number of customers. Also the risk on liquid funds is minimised by the credit checking of clients and a strong credit control function. Bad debt exposure is minimal due to our diverse spread of clients.

### **Liquidity risk**

The Company's policy has been to ensure continuity of funding through the operation of its treasury function. The Company participates in the Reed Group's (REED) centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

### **Foreign currency risk**

The Company is not materially exposed in its trading operations to the risk of changes in foreign currency exchange rates as our principal operations remain within the UK.

### **Payment of creditors**

The Company's policy for all suppliers is to fix terms of payment when agreeing to the terms of each business transaction, to ensure that the supplier is aware of those terms and to abide by the agreed terms of payment. The number of days that the Company's year-end purchases represent was 22 days (2019: 30 days).

### **Pension costs**

The assets of the Reed Executive Pension Scheme (the "Scheme") are held separately from those of the Company and are under the control of fund managers appointed by the Scheme Trustees. The Scheme has two trustees namely Nigel Marsh and Darren Murton. The Scheme may not invest in the shares of the Company. The audit of the Scheme is currently undertaken by RSM UK Audit LLP and is thus completely separate from that of the Company.

The Company also provides access to the Group Personal Pension Plan (the "Plan"). The Plan is contract based and is therefore not subject to audit.

## **STRATEGIC REPORT (continued)**

### **Section 172 statement**

This Statement sets out how the Board of Directors of Reed Specialist Recruitment Limited (“the Board”) comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted the Board’s activities and decision making during the financial year ending 30th June 2020 (“FY20”).

Section 172 of the Companies Act 2006 states that Directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the company’s employees,
- c) the need to foster the company’s business relationships with suppliers, customers, and others,
- d) the impact of the company’s operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly between members of the company.

These duties are designed to ensure that Directors act in such a way as to promote the long-term success of the company by delivering and creating sustainable shareholder value as well as contributing to wider society.

The REED Group (“REED”) comprises Reed Global Limited and its subsidiaries, including Reed Specialist Recruitment Limited.

The Board have received training on their responsibilities and accountabilities. They are also supported by the Company Secretary in terms of how they carry out their duties under Section 172. The Board implemented standardised Board papers and a formal approach to declaring conflicts of interest to ensure Directors act fairly and in the interests of the relevant company. As a family business, the requirements of Section 172 are well understood and adhered to by Directors due to the nature, ethos, purpose, and vision of the organisation.

Principal Decisions have been defined and formalised as part of company Board meetings. REED has adopted a two tier approach whereby all decisions with a specified material impact or which could lead to national media attention are considered in relation to Section 172 by Directors, with certain decisions also being accompanied by written evidence that the principals of Section 172 have been considered.

Engaging with stakeholders to deliver long term success is a key focus for the Board. The Board is very aware of the environment in which the company operates and, in particular, the stakeholders it needs to engage with, including but not limited to customers, temporary workers, employees, suppliers, the pension scheme, local communities and shareholders. A Stakeholder Map, identifying the key internal and external stakeholders and how the Company interacts with them, has been created and may be found on the Company’s website.

## **STRATEGIC REPORT (continued)**

### **Section 172 statement (continued)**

The formal training provided to Directors, the standardisation of Board papers, the introduction of a Stakeholder Map, and the implementation of Principal Decisions have ensured the Board understands the importance of its key stakeholders.

A number of Principal Decisions were taken by the Board across FY20. Examples of these decisions include the approval of the 2020 Strategic Plan and Investments, a change of Managing Director to lead the Company, and the Company's response to the Covid-19 pandemic. The latter required the Company to implement significant cost reduction measures, including the furloughing of Co-Members, a temporary reduction in salaries, negotiations with landlords on office rent, and accessing Government cash support saving schemes such as Retail, Hospitality and Leisure grants, and the deferral of VAT and PAYE.

In making these Principal Decisions, the Company's main objectives were to ensure continuing high standards of business conduct and to protect the long-term viability of the business to the benefit of all stakeholders. This stakeholder engagement was demonstrated below in the Company's response to the Government implementing a blanket lockdown during the Covid-19 pandemic.

The Company actively engaged with Co-Members to undertake a sector by sector review to assess how furlough could be most appropriately utilised to protect as many jobs as possible. Reduced hours were also implemented for many remaining Co-Members to help protect jobs, and the Company accelerated its investment in IT capability to maximise the effectiveness of Co-Members whilst working remotely.

The Company rapidly developed, implemented and communicated its furlough approaches to help support its PAYE and public sector temporary workers. The Company also encouraged public sector bodies to follow UK Government advice around the continued use of temporary staff.

High-levels of client customer service remained paramount during the pandemic, and additional resources and IT developments were applied by the Company to support Government and key worker contracts that were central to the pandemic response. In addition, clients were pro-actively surveyed to produce a public bank of best practice Covid-19 specialist advice.

To support supply chains during the pandemic, the Company continued to champion the Prompt Payment Code to help eliminate unfair payment practices to small businesses. Local communities and livelihoods were also supported by the launch of the Keep Britain Working campaign, co-founded by James Reed, Company director and REED Chairman.

This tailored approach minimised as far as possible the impact of Covid-19 on the Company and its stakeholders. All other Principal Decisions taken by the Company during the year went through a similar process of stakeholder engagement. The impact of Principal Decisions will be monitored in future Board meetings to continuously assess their effect on the company and its stakeholders in the medium to long-term.

## **STRATEGIC REPORT (continued)**

### **Section 172 statement (continued)**

The Company is committed to being an employer of choice and to ensuring Co-Members' wellbeing and voice are front of mind. The Board therefore operates programmes to listen to the views and feelings of Co-Members, which include monthly surveys that are facilitated centrally. These ensure that the Board have the information necessary to act in the interest of their employees. There is also two-way communication via the Chairman's online blog and, introduced during FY20, frequent vlogs by the Managing Director to explain company progress through the pandemic. New digital communication routes have also been established utilising Microsoft Yammer as a quick and accessible channel for feedback.

During FY20, REED adopted a Customer First strategy focussing on the development of customer relationships. In support of this, REED appointed a Group Customer Experience Officer to champion engagement with customers and the importance of the customer view in decision making. This is demonstrated through various customer KPIs presented to the Board and has helped strengthen the importance of positive business relationships at Board level.

The Company also maintains ISO 14001 and Carbon Neutral status which focuses on the environmental impact of the business.

REED has a number of successful engagement schemes which have been developed during the last financial year. These include:

#### *Success with Co-Members*

James Reed made three pledges on International Women's Day 2018, which the business made good progress against during the financial year:

1. I pledge to introduce talks, seminars and webinars once a quarter, which will be run by successful women, to encourage and inspire the women in the business.
2. I pledge to grow and sustain a female mentoring system to provide the women who work at REED with a system of support and advice.
3. I pledge that REED will seek to have women make up 50% of its senior leadership team over the next 3-5 years. They will be there because they are good at their jobs.

Following feedback received from Co-Member satisfaction surveys, the Company introduced enhanced Maternity Pay benefit across the business, along with Dynamic Working for its customer facing network Co-Members.

REED also celebrated Black History Month for the first time with its Race & Ethnicity senior stakeholder and diversity champion leading the agenda.

Co-Members voted the Company a great place to work with over 4.1 stars on Glassdoor, and Reed Specialist Recruitment was the highest ranked recruitment company and 44th overall in Glassdoor's Best Places to Work in the UK 2020. James Reed was voted one of the Top CEOs in 2019 on Glassdoor for the second year running.

## **STRATEGIC REPORT (continued)**

### **Section 172 statement (continued)**

#### *Success with Environment and Communities*

REED has been an environmental champion for a long time. In 2005, the Company became the first recruitment company in the UK to become carbon neutral and, through ISO 14001, demonstrate that it has effective environmental management systems in place. REED's many environmental achievements have been set out in the Reed Global Ltd (10169598) annual report under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

REED publishes its tax strategy on-line and HMRC has categorised REED as low tax risk. REED was invited by BEIS to Chair a new cross-government group designed to protect workers and hirers operating in the flexible labour market. The work of this group has been referenced by HM's Government in the Annual Labour Market Strategy and REED was also invited to provide information into the Independent Review of the Modern Slavery Act.

In furtherance of REED's charitable ethos, Co-Members had the opportunity to nominate a charity to receive a priority application to the Big Give Christmas Challenge 2019.

#### *Success with Suppliers*

The Company manages broad supply chains across the UK to deliver services to its clients. These supply chains are managed through a Supplier Engagement Team and suppliers adhere to legal, ethical, contractual, and best practice standards. This is supported through an outreach team and business process auditors.

The Board continue to champion the Prompt Payment Code to help eliminate unfair payment practices to small businesses. Across FY20, the Company averaged a 15-day payment period to its suppliers.

### **Environment**

The Company operates within the REED Group's policy with regard to the environment. This is to ensure that it understands and effectively manages the actual and potential environmental impact of its activities. The Group's operations are conducted such that it complies with all legal requirements relating to the environment in all areas where it carries out its business. During the period covered by this report, the Group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

The Group's Streamlined Energy & Carbon Report may be found on the Company's website.

### **Modern Slavery Statement**

The Board has approved the Group's policy on Anti-Slavery and Human Trafficking, which may be found on the Company's website.

**STRATEGIC REPORT (continued)**

**Approval**

The Strategic Report was approved by the Board on 22 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'LR' with a stylized flourish.

Lee Richards BSc, ACMA  
Director

## REPORT OF THE DIRECTORS

The Directors present their report and the audited annual report for the year ended 30th June 2020.

### Dividends

No dividends were proposed or paid for the year (2019: £2,000,000).

### Directors

The current composition of the Board of Directors is given on page 2.

The Statement of Directors' Responsibilities in respect of the financial statements may be found on page 20.

### Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Acts 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### Employee Engagement

The Company values input and feedback from its employees ("Co-Members") and has numerous processes in place to capture the thoughts and views of its workforce. These include samples of monthly anonymous Co-Member surveys with numeric results and qualitative feedback. These results are analysed and actions are taken in response to trends or specific feedback. The Board delegates the collation and initial analysis of employee feedback to working groups, who present consolidated data to the Board to enable appropriate decisions and actions to be taken.

To encourage and facilitate greater levels of employee feedback on commercial strategy and overall wellbeing during the Covid-19 pandemic, REED's Chairman increased the monthly cash reward for employee ideas under the REED-Think scheme. With continuous two-way communication, the Chairman celebrated successful employee ideas through his blog published on the internal intranet, highlighting how these ideas had impacted REED's strategy.

Details on how the Company pro-actively interacts and measures its engagement with employees may be found within the Stakeholder Map on the Company's website, under the 'Success with Co-Members' section of the Company's Section 172 Statement, and within the Company's Corporate Governance Statement under 'Principal 6 - Stakeholder Relationships and Engagement'.

### Other Stakeholder Engagement

The Company values input and feedback from all stakeholders and has numerous processes in place to capture thoughts and views from a diverse set of stakeholders. The stakeholder feedback received by the Board includes customer-based metrics on satisfaction levels and the views of local communities.

## **REPORT OF THE DIRECTORS (continued)**

### **Other Stakeholder Engagement (continued)**

The Board delegates specific responsibilities and actions to a Customer Excellence function, which engages with other stakeholders and provides targeted feedback to the Board so that informed decisions and strategic policies may be implemented with other stakeholders' needs at heart.

Engagement with Government agencies during the financial period has helped shape the Company's commercial approach and strategy. The Company has actively engaged in policy consultations with the UK Government including an independent review of the Modern Slavery Act resulting in feedback being taken into account by the Home Office and enhancements to the Company's approach to preventing Modern Slavery.

Further details on how the Company interacts and measures its engagement with other stakeholders may be found within the Stakeholder Map on the Company's website, under the 'Success with Environment and Communities' section of the Company's Section 172 Statement, and within the Company's Corporate Governance Statement under 'Principal 6 - Stakeholder Relationships and Engagement'.

### **Co-Members**

The Company encourages all employees, known as Co-Members, to attend regular training courses and they are encouraged to take an active interest in all matters affecting them. Co-Members' views, opinions and ideas are regularly surveyed and their feedback is acknowledged, noted and where appropriate, acted upon.

It is a policy of the Company to employ and train disabled people whenever appropriate and to actively promote equal opportunities by evaluating Co-Members solely on the basis of merit, regardless of age, gender, marital status, sexual orientation, disability or dependants' considerations, and ethnic, racial or religious background.

In the event of Co-Members becoming disabled every effort is made to ensure their employment with the Company continues and the Company is committed to ensuring sufficient and appropriate adjustments are made in order to achieve this objective.

### **Diversity and Belonging – Our commitment**

The Company is committed to the REED Group's policy of creating a diverse and inclusive workforce by recognising and understanding each individual's unique differences and celebrating these within the business. By valuing Inclusion, we hope to create a workplace where Co-Members can thrive and be the best they can be each day.

### **Charitable donations and political contributions**

Charitable donations of £156,000 were made in the year (2019: £101,000).

No political contributions were made in the year (2019: £nil).

## **REPORT OF THE DIRECTORS (continued)**

### **Risk management**

Information on the Company's management of financial risk is disclosed in the Strategic Report on page 4. In particular the Company's exposures to interest rate risk, credit risk and liquidity risk are separately disclosed. The Company's exposure to cash flow risk is addressed under the headings of 'Credit risk', 'Liquidity risk' and 'Foreign currency risk'.

### **Going concern basis**

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, liquidity and cash flow risk and its response to the Covid-19 pandemic are described in the Strategic Report on pages 3 to 5.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors of Reed Global Limited agreed after the balance sheet date that, should it be required, it intends to provide support to certain REED Group companies to continue in operation until at least 31 December 2021, support will be provided for the meeting of liabilities as and when they fall due. That support is intended to include assistance to meet the liabilities of payment of intercompany debtors and intercompany creditors until 31 December 2021, such that certain companies in the REED Group can meet their liabilities as they fall due.

After making enquiries, the Directors have formed a judgement that, at the time of approving the financial statements, there is reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

### **Corporate Governance Statement**

#### **Introduction**

This Corporate Governance Statement explains how the Company's Corporate Governance Framework supports the values of the business. For the year ended 30<sup>th</sup> June 2020, the Company has applied the Wates Corporate Governance Principles in compliance with The Companies (Miscellaneous Reporting) Regulations 2018.

Set out below is further detail on how the Company has applied the Wates Principles during the financial year under review. Notwithstanding this, the directors note that, on the basis this is the first year of reporting, there are areas of the Principles that the Company will need to focus on. Areas of minor variations are included at the end of this statement and the Board has committed to undertake a review of its first year application with the intention to further enhance the Company's application.

The Company is committed to good corporate governance, which supports the running of a responsible business and the upholding of REED's values.

## REPORT OF THE DIRECTORS (continued)

### Corporate Governance Statement (continued)

#### Principal 1 - Purpose and Leadership

REED was founded in 1960 and is a family-owned business. REED's purpose is "improving lives through work". The REED Group is led by the Reed Global Board ("RGL") which defines the group purpose, values and strategy, and approves the strategies of subsidiary companies. The Company is a wholly-owned subsidiary of Reed Global, specialising in delivering recruitment solutions.

The REED purpose operates alongside a strong commitment to social responsibility and governance. REED promotes wellbeing, diversity and inclusion, environmental sustainability, charitable causes, health & safety and employee engagement. REED is committed to the following values:

- We are Fair, Open and Honest
- We Take Ownership
- We Work Together

The Company ensures its purpose and values are clearly articulated with effective channels of engagement with its permanent employees, known as Co-Members, its temporary workers and its stakeholders. The Company's engagement channels include Co-Member surveys, exit interviews, absence monitoring, and wellbeing strategies. In support of its fair, open and honest culture, the Company operates a whistleblowing process to ensure transparency and openness.

Since implementing the Wates Principles, REED has, via the Audit and Risk Committee, approved a new Conflicts of Interest Policy.

Further detail on how the Company has applied governance to strategic developments in the year may be found within the Section 172 statement.

#### Principal 2 - Board Composition

The Board is comprised of five Directors including REED's Chairman, James Reed. Ian Nicholas was appointed Managing Director of the Company on 9<sup>th</sup> March 2020.

##### **James Reed MA, MBA, FCIPD** - Chairman and Chief Executive of REED.

James Reed has been the Chief Executive and Chairman of REED since 1997 and 2004 respectively, when he took over the role from his father and founder of the REED Group Sir Alec Reed. In 2018 and 2019, James was voted in the Top 20 UK CEO's by employer-ratings platform Glassdoor. He is a regular media commentator on work and labour market issues, with recent appearances including BBC News, Sky News, BBC Radio 2 and The Apprentice. He has contributed insight to a wide range of publications including the Financial Times, Harvard Business Review and The Sunday Times.

James is also a best-selling author of four books, *Life's Work: 12 Proven Ways to Fast-Track Your Career*, *The Happy Recruiter: The 7 Ways to Succeed*, *The 7 Second CV: How to Land the Interview*, and *Why You?: 101 Interview Questions You'll Never Fear Again*. He also co-authored *Put Your Mindset to Work* with Dr. Paul Stoltz. James has an MA in Philosophy, Politics and Economics from Oxford University, an MBA from Harvard Business School and is a Fellow of the Chartered Institute of Personnel and Development (CIPD).

## **REPORT OF THE DIRECTORS (continued)**

### **Corporate Governance Statement (continued)**

#### **Principal 2 - Board Composition (continued)**

##### **Ian Nicholas BSc, FCIPD - Global Managing Director**

Ian was appointed as Global Managing Director of the Company in March 2020, transferring from his role as Chief HR Officer for Reed Global Limited, in which he was responsible for all people strategies across the group.

Ian joined REED in 2004 as HRD of one of their businesses, and he also opened and ran a specialist HR recruitment arm. In 2007 the company merged its recruitment businesses and Ian was appointed as HRD for the newly formed Reed Specialist Recruitment. In 2013, whilst retaining his HR responsibilities, he was appointed as MD for RSR Managed Services and during a two year period of successful growth, he led the re-shaping of the business into what is now the highly regarded Reed Talent Solutions brand. In 2015, Ian was appointed to CHRO and in 2017 he was appointed to the Reed Global Board.

Ian attained a BSc (Hons) at Liverpool University, subsequently gaining his CIPD qualification via Glamorgan University. He is Chartered FCIPD. In 2019, Ian was listed on the 'HR Most Influential' list by HR Magazine.

##### **Lee Richards BSc, ACMA - Finance Director**

Lee is Finance Director of the Company and was appointed to the Board in March 2019. Lee initially joined the graduate scheme of the investment bank Salomon Brothers in 1996 after graduating from Leeds University with a Maths degree. Lee joined the Company in March 2010 and is a CIMA qualified accountant.

##### **Karen Jackson Assoc CIPD - Human Resources Director**

Karen Jackson has been the Company's Human Resources Director since August 2018 when she joined REED. She was appointed to the Board in March 2019. Karen began her career with Lloyds Banking Group and her background is within Retail, FMCG and Banking, including Head of Capability & Resourcing for Sainsburys Argos. Karen is an Associate member of the Chartered Institute of Personnel and Development (CIPD).

##### **Simon Baddeley - Managing Director of Business Services**

Simon Baddeley has been the Managing Director of Business Services since April 2020, at the same time as being appointed to the Board. Simon joined REED in January 1999 and he held a number of senior roles in both Operations and Support Functions until September 2017 when he moved into the Support functions. Simon also operates as the Managing Director of RSR's International Business.

The Board are supported in their strategic management of audit and risk by the parent body's Audit & Risk Committee, which supports the Company by reviewing the comprehensiveness and reliability of assurances on governance, risk management, control environment, and the integrity of financial statements and the annual report. The Company has a robust risk framework in place and a Compliance, Audit, and Data function managing and mitigating operation risk. The Board delegates day to day management and the implementation of agreed strategies to these functions.

The Company promotes diversity at work through its own recruitment processes and through their core activity of helping people into work.

## **REPORT OF THE DIRECTORS (continued)**

### **Corporate Governance Statement (continued)**

#### **Principal 2 - Board Composition (continued)**

The Board has adopted standardised documentation and receive information covering financial, commercial, people, and social responsibility matters in a timely fashion ahead of each Board Meeting. This information is assured through review by key Executive functions such as Finance, and the approval of annual external audits. Information includes key performance indicators in the form of Balanced Scorecards for each key trading entity.

The Company has monthly Board meetings and an annual strategic review. Across the financial year, a number of Principal Decisions were reported to or approved by the Board. Reported to the Board were changes to structure, investment decisions, and closure of some business units.

Directors of Reed Global Ltd regularly attend the Company's Board meetings to bring independent thinking to the Board's decision making.

A Board Effectiveness Review is being explored by REED during the next 12 months.

#### **Principal 3 - Director's Responsibilities**

Every Board Director has a clear understanding of their accountabilities and responsibilities. The Board delegates day-to-day management of the operating divisions to their Senior Leadership Team. Statutory and non-statutory directors who attend Board meetings have an annual appraisal and quarterly reviews of progress against targets to maintain accountability.

Director training has been delivered to all Reed Global and subsidiary Board Directors. All Directors have access to the Company Secretary for assistance and advice. The Company Secretary is responsible for ensuring that Board procedures are complied with.

The Company's Articles of Association contain powers of removal, appointment, election and re-election of Directors. There is a Governance Review annually of the Company's governance processes.

#### **Principal 4 - Opportunity and Risk**

The Company has a focus on future opportunities for innovation and entrepreneurship. Short term opportunities are highlighted through Board Meetings, executive reporting and Co-Member initiatives such as Reed Think, whilst longer term strategic opportunities are reviewed through the annual Strategic Review process.

The Board has responsibility for determining the nature and extent of the principal risks the Company is willing to take, the overall risk appetite, and for the internal control framework. The Company has developed robust procedures to identify, monitor and manage risk. The risk identification process, risk frameworks, and monitoring are conducted by an internal function who report to the Group Audit & Risk Committee.

The Board oversees an Internal Audit Function to test the mitigation controls of principal risks.

The Company holds certifications for ISO 9001 and ISO 14001 and incorporates these into its approach to risk management.

## **REPORT OF THE DIRECTORS (continued)**

### **Corporate Governance Statement (continued)**

#### **Principal 5 – Remuneration**

Remuneration is based on performance, behaviours, demonstration of company culture and values, and achievement of business goals. Remuneration is linked to the adherence of company culture and values as demonstrating these behaviours is an integral part of working for REED. Clear policies on remuneration exist to ensure consistency across the Group.

The Company recognises the importance of paying the Living Wage and closing the Gender Pay Gap, which are supported by clear policies across the business.

#### **Principal 6 - Stakeholder Relationships and Engagement**

The Company believes in the importance of sustainable business and the role that private companies have in benefitting wider society. The Company is committed to creating a positive social, economic, and environmental impact, and has detailed environmental and charitable strategies to ensure a positive impact on its constituencies, on society, and on the environment.

A Balanced Scorecard was implemented early in the financial year which ensures a broader perspective when analysing company performance and taking key decisions. Throughout the reporting year, the Board receive the Balanced Scorecard, which focusses on both internal and external stakeholders including customers, employees, operations and finance, resulting in broader decision making. The Balanced Scorecard guides Directors to the impact the Company has on its customers through the service it provides, and this strong customer focus has been supported by the appointment of a Customer Experience Officer, recruited just prior to the financial year, reporting directly to the REED Chairman. The Board have also responded to this feedback during the year to create a periodic monetary prize to Co-Members who maximise the delivery of a great experience to customers.

The Company is committed to being a Carbon Neutral organisation and complies with ISO14001 which assesses environmental impact. The Company recognises the importance of effective dialogue with stakeholders. This includes Co-Members, customers, temporary workers, and Government representatives.

The Company understands the importance of communication across constituent groups. The Company has developed a Stakeholder Map to help identify, define, and engage with stakeholder groups. The Map outlines the interests, issues, and methods of communication with each group. For Co-Members, REED collects monthly survey results across all subsidiary companies, operates idea initiatives, as well as having whistleblowing processes in place as routes for anonymous feedback to be shared.

The Company ensures there is no conflict of interest between key professional advisors covering both audit and tax. Formal conflict of interest reviews are conducted between REED and both advisors. The Board's current advisors are PwC for audit, RSM for tax advice, and Barclays as bankers.

For all Principal Decisions, the Company carries out an assessment of stakeholders and seeks to obtain feedback from any affected stakeholder groups. REED also has extensive Evaluation of Service processes in place across customers and employees.

## **REPORT OF THE DIRECTORS (continued)**

### **Corporate Governance Statement (continued)**

#### **Principal 6 - Stakeholder Relationships and Engagement (continued)**

The Company is committed to being an employer of choice in its industry. REED is also committed to its purpose of improving lives through work which can be demonstrated by the active role the Company plays in government and wider society committees.

For further detail on how the Company fosters strong stakeholder relations, effective engagement and takes into account feedback from its workforce, please refer to the engagement statements within the Director's Report.

The Company's overall position and future prospects are assessed within the going concern basis of the Director's Report.

#### **Wates Variations**

REED has applied the Wates Corporate Governance Principles in compliance with The Companies (Miscellaneous Reporting) Regulations 2018, with two areas of deviation: Board evaluation and Board process assessment. These are under review for decision in the next financial year as, with relatively recent appointments and many new processes adopted during this period, insufficient time had elapsed for meaningful evaluation or assessment during the year ended 30<sup>th</sup> June 2020.

#### **Disclosure of information to auditors**

At the date of making this report each of the Company's Directors, as set out on page 2, confirm the following:

- so far as each Director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.


#### **Independent auditors**

PricewaterhouseCoopers LLP were appointed as auditors for the year ending 30th June 2020 under an ordinary resolution.

**REPORT OF THE DIRECTORS (continued)**

**Approval**

The report of the Directors was approved by the Board on 22 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'LR' with a stylized flourish.

Lee Richards BSc, ACMA  
Director