Chairman's Introduction

Letter from the Chairman

On behalf of the Board, I present Huntsworth plc's Corporate Governance Report for the year ended 31 December 2018.

In this section of the 2018 Annual Report and Accounts (**Annual Report**) insight is provided into the activities which have supported the Company's corporate governance during 2018. I also highlight the changes that are underway in response to The UK Corporate Governance Code 2018, applicable for periods commencing on or after 1 January 2019 (the **New Code**).

Board and Committee composition and changes:

On 6 March 2018, it was announced that I had notified the Board of my intention to step down as the Company's Chair, with Andy Boland, the Senior Independent Director (**SID**), heading the search for a successor to lead the Board into its next phase. After an extensive search process, the Board were delighted to announce on 19 December 2018 that David Lowden was to be appointed as Chairman of the Company's Board and Nomination Committee. David joined as an independent Non-Executive Director of the Board with effect from 1 January 2019 and, following an orderly succession period, will succeed me as Chairman of the Board and Nomination Committee on 6 March 2019. On the same day, I will resign as a Director of the Company.

On 6 March 2018, we also announced that Andy Boland was appointed as a member of the Remuneration Committee.

Lastly, as mentioned in last year's Annual Report 2017, on 1 January 2018:

- Elizabeth McKee Anderson joined the Board of Huntsworth as an Independent Non-Executive Director and member of the Audit Committee, bringing extensive pharmaceutical industry experience to the Board, particularly in the US – the key area of strategic focus for the Group.
- Nicky Dulieu and Pat Billingham were appointed as members of the Nomination Committee.
- Andy Boland was appointed as SID.

Succession planning, diversity and gender pay:

Succession planning was an area of focus for the Board and Nomination Committee during 2018, both at the Board and senior management level. We recognise that the Board sets the tone for diversity across the Group and that it is important that we have a diverse leadership to support good decision-making. We will continue to review succession planning processes across the Group, in order to identify the leaders of the future, cognisant of the importance of diversity within our senior management team and the requirements of the New Code. Further details can be found on pages 32 and 33.

> Following an orderly succession period, David Lowden will succeed me as Chairman of the Board on 6 March 2019

Derek Mapp Chairman

We are committed to ensuring that our workforce have the best opportunities to succeed and are fairly remunerated. As noted in the ESG Report on page 32, during 2018 the Board considered the gender pay gap position both in the UK and across the Group, and work is ongoing in this regard.

Code of Ethics:

During 2018, in addition to the internal Ethics Policy, the Company developed and published on its website a Code of Ethics; a copy of the policy is available at http://www.huntsworth.com/about-us/responsible-business/.

This Code applies to all Group staff, workers, employees, contractors, freelancers and Directors, without exception, and is intended to promote a heightened awareness of ethical considerations and individual responsibilities relating to all of the Group's activities.

Remuneration Policy:

Our current Directors' Remuneration Policy will expire in 2019 and the proposed policy, which is intended to apply for the three years commencing 1 January 2019 (i.e. the **2019 Policy**), will be put to shareholders for their approval at the AGM on 9 May 2019. The 2019 Policy has been designed to ensure close alignment between executive reward and the delivery of our business strategy. Details of the 2019 Policy, and the outcome of the shareholder consultation process that was undertaken prior to the 2019 Policy being finalised, can be found on page 49.

Shareholder engagement:

Throughout the year, the Board actively engaged with its principal shareholders. In particular, in advance of finalising the 2019 Policy, as noted above an extensive consultation process was undertaken with the Company's key shareholders and investor bodies, and shareholders were given the opportunity to raise wider business issues (i.e. other than 2019 Policy matters) as well.

Mindful of the need for the Board to take into consideration all of its shareholders, Dowgate Capital Stockbrokers and Numis Securities have continued to act as the Company's Joint Broker to assist the Board in engaging with smaller investors.

There were a number of changes of note in the shareholder base of the Company during 2018, the most notable of which were the acquisitions of sizeable shareholdings by Merian Global Investors (UK) Limited (formerly known as Old Mutual Global Investors (UK) Limited), Kames Capital Plc and Aviva Plc and its subsidiaries. Further details in respect of the Company's major shareholders can be found on pages 72 and 73.

Response to the New Code:

In addition to any comments made above, the changes that are underway in response to the New Code are set out below. We look forward to reporting further on these matters in the next Annual Report.

Culture and values

Huntsworth businesses operate under a range of strong, well-respected brands, with which we can create integrated teams within and across our businesses, for a multi-disciplinary solution. We actively encourage innovation and growth within our agencies, allowing them to provide better quality service to our clients.

Having said that, our businesses must operate within a framework of values which, as a Board, we are responsible for assessing and monitoring. During 2019 we will monitor our progress against this framework, with the objective of ensuring a healthy, responsible, corporate culture that aligns Company values with strategy, in order to promote the long-term sustainable success of the Company for the benefit of all our stakeholders.

Workforce engagement

The Board has evaluated the options available for workforce engagement, and has appointed Pat Billingham as the designated Non-Executive Director for engagement with the workforce. During 2019 processes and procedures will be implemented to ensure that the Board continues to engage with the workforce to understand their views and communicate Board decisions. This will extend to reviewing workforce related remuneration policies to enable us to explain how executive remuneration aligns with wider Company pay policy.

Extending the remit of the Remuneration Committee

We have already agreed and implemented processes and procedures to enable the Committee to set remuneration for senior management. We are taking the opportunity as part of our workforce engagement process (as noted above) to review workforce remuneration and related policies.

Compliance with the 2016 UK Corporate Governance Code (the **Code**):

I am pleased to be able to report that the Board has been able to operate effectively and within the principles of good governance, and confirm that the Company has complied throughout the year ended 31 December 2018 with all of the provisions of the Code that are relevant to a smaller company outside of the FTSE 350.

Derek Mapp
Chairman

Corporate Governance Report

The role of the Board

The Board is responsible for delivering shareholder value over the long term, in line with the Group's culture, strategy, values and governance. The Non-Executive Directors have a particular responsibility for challenging the Group's strategy and monitoring the performance of Executive Directors against goals and objectives.

The formal Schedule of Matters reserved for the Board includes various strategic, financial, operational and governance responsibilities. A summary of the key activities of the Board during the year, in accordance with the formal Schedule, can be found below and on page 39.

The Board is supported by the Audit, Remuneration and Nomination Committees. Each Board Committee has defined terms of reference, which can be found online at www.huntsworth.com. The activities of each of these Board Committees are set out in separate sections of this Report. The Audit Committee is, in turn, supported by the Risk Committee.

Decisions on operational matters and the day-to-day management of the business are delegated to the Executive Directors and divisional management. This includes implementing Group policy, managing client service, monitoring financial performance and human resource management.

Key roles and responsibilities

Effective operation of the Board relies on a collaborative approach and clarity of the various roles and responsibilities of the individual Board members. Of particular importance are the roles of the Chairman and Chief Executive, whose job descriptions are set out in writing and have been agreed by the Board. The key responsibilities of these roles, and those of the Senior Independent Director, are set out below:

Chairman: Derek Mapp (to be succeeded by David Lowden on 6 March 2019)

Key responsibilities:
- running the Board and ensuring its effectiveness in all aspects of its role;
- ensuring that the Directors receive accurate, timely and clear information;
- identifying development needs of Directors and ensuring that the Directors continually update their skills and their knowledge and familiarity with the Group;
- ensuring that the performance of the Board, its Committees and individual Directors are evaluated at least once a year; and
- maintaining contact with major shareholders and ensuring that their views are communicated to the Board.

The other significant commitments of the Chairman are set out on pages 34 and 35.

Chief Executive: Paul Taaffe

Key responsibilities:
- development and implementation of the Group's strategy;
- management of the day-to-day operations of the Group;
- recommending to the Board an annual budget;
- identifying and executing new business opportunities and investments;
- managing the Group's risk profile and ensuring appropriate internal controls are in place; and
- ensuring effective communication with shareholders

Senior Independent Director: Andy Boland

Key responsibilities:
- providing a sounding board to the Chairman;
- serving as an intermediary for the other Directors when necessary;
- being available to shareholders if they need to convey concerns to the Board;
- leading a performance evaluation of the Chairman; and
- responsibility for leading an orderly succession process for the Chairman.

Activities of the Board

Nine Board meetings were held during the year as well as an additional strategy meeting. If a Director is absent from a meeting, his or her views are sought in advance where possible and then put to the meeting. The table below sets out the number of meetings attended out of meetings eligible to attend. There was full attendance by all Board Directors during the year.

Board meetings attendance

Derek Mapp	9 of 9
Paul Taaffe	9 of 9
Neil Jones	9 of 9
Andy Boland	9 of 9
Nicky Dulieu	9 of 9
Pat Billingham	9 of 9
Elizabeth McKee Anderson	9 of 9
David Lowden[1]	n/a

1 David Lowden was appointed as a Non-Executive Director with effect from 1 January 2019.

A summary of some of the Board's activities in the year is set out below:

Responsibilities	Activities
Annual budget	Approved the 2019 Budget
Strategy	• Debated ongoing strategy including presentations from divisional management teams • Review of portfolio and approval of closure or disposal of non-core businesses • Monitored the Company's acquisition strategy and its implementation by the Executive Directors
Performance and operational matters	• Monitored performance of the individual business divisions • Presentations on performance from divisional management teams

Responsibilities	Activities
Financial Statements	• Approved the 2017 Annual Report and recommended final dividend • Approved the 2018 Interim Report and recommended interim dividend
Finance and capital	• Reviewed the Group's capital structure • Reviewed the options for raising capital with respect to the acquisition of Navience Healthcare Solutions LLC, and approved a placing of new ordinary shares to fund the acquisition • Monitored going concern and long-term viability • Assessed the impact from US tax reform
People	• Review and approval of the appointment of the new Chairman of the Board and the Nomination Committee • Review of the Group's gender pay gap position
Acquisitions and disposals	• Reviewed potential acquisition and transaction opportunities • Reviewed and approved the acquisition of AboveNation Media, LLC (**Above Nation**), Giant Creative Strategy LLC (**Giant**) and Navience Healthcare Solutions LLC (**Navience**)
Governance	• Reviewed reports from Board Committees • Received updates on key governance changes such as firstly, the New Code and secondly, legislative changes including the EU General Data Protection Regulation (the **GDPR**) • Reviewed and agreed amendments to the Group's key compliance policies • Developing and publishing an external Code of Ethics on the Company's website • Reviewed and approved the Company's Modern Slavery Act Statement for the year ended 31 December 2017. As part of this process, the Company's supply chain was reviewed
Risk and internal control	• Robust assessment of principal risks • Debating and approving the Group's risk appetite • Reviewed reports from Board and Audit Committees on risk management • Reviewed the effectiveness of the Group's risk management and internal control systems • Oversight of the creation of a cyber security framework • Considered the Group's risk appetite in light of its strategic priorities • Discussed the implications of the UK leaving the European Union in 2019

Responsibilities	Activities
Investor communications	• Discussed analyst and investor feedback on strategic and operational review • Received feedback from meetings with shareholders, in particular from the Chair of the Remuneration Committee with respect to the consultation for the 2019 Remuneration Policy • At each Board meeting the Chief Financial Officer presented a paper summarising investor activity
Board evaluation	• Discussion of the results of the Board, Committee and Director evaluations

The Board was particularly engaged with the acquisitions which were undertaken during the year, namely AboveNation, Giant and Navience. Furthermore, the Executive Directors continue to present a summary of potential and ongoing M&A activity to enable the Board to better assess the Group's strategy for growth.

Dowgate Capital Stockbrokers as joint broker with Numis Securities continued to assist the Board in engaging with smaller investors.

The Board again held a strategy meeting during which it discussed and considered a number of items, including, amongst other matters:

- the progress against the current strategy, focusing on the marketing division in Huntsworth Health;
- challenging whether the current strategy remained the correct strategy;
- competitive and competitor landscape and opportunity areas;
- analysis of what the organic business can deliver;
- how growth can be accelerated through M&A investment, including the potential impact of geographic diversification; and
- financing considerations and structure (leverage and equity).

The holding of a separate strategy meeting enabled the Board to focus on developing the Company's strategy. It is intended to continue to hold an annual strategy day in future years.

The Board receives periodic (typically annually) updates in respect of IT, tax, property, insurance and treasury matters.

Furthermore, the Board approves the Group's key policies.

How the Board operates

Board information

Board papers containing, amongst other things, current and forecast trading results, governance, and treasury and shareholder information, are distributed in advance of the meetings to allow the Directors sufficient time for preparation. Minutes of the meetings are also circulated to all Directors. The Board receives presentations from Executive Directors. Furthermore, presentations from divisional management are provided to the Board. All Directors have direct access to senior operational management within the Group as required. Executive Directors are also members of operating company boards and are involved in regular meetings to consider financial, operational and compliance matters arising throughout the year.

Corporate Governance Report continued

Independent advice
All Directors have access to the advice and services of the Company Secretary who, through the Chairman, is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, all Directors have access to independent professional advice, if required, at the Company's expense. The Chairman also holds meetings with the Non-Executive Directors without the Executive Directors being present.

Induction and personal development
All Board members receive updates on regulatory and legal changes as well as operational briefings. Training and development needs are kept under review by the Chairman.

The Chairman is responsible for ensuring that induction and training is provided for each Director. Each new Director receives an induction pack and undertakes a bespoke induction programme that provides them with information on the Group, their responsibilities, and obligations.

In order to give new Directors insight into the various businesses within the Group, a series of meetings are held with the Board members and senior executives. Meetings are also held with the external auditor and/or other advisors as appropriate.

As noted in the 2017 Annual Report, Elizabeth McKee Anderson received a Board induction, which included: meetings with the Executive Directors and senior management; law and regulation pertinent to the role; the Group's commercial strategy; and details of the Company's shareholders, bank facilities and insurance arrangements.

In early 2019, David Lowden received a Board induction, which included, amongst other matters: meetings with the Executive Directors, senior management and brokers; law and regulation pertinent to the role; the Group's commercial strategy; and details of the Company's shareholders, bank facilities and insurance arrangements.

Board performance evaluation
Following the externally facilitated performance evaluation undertaken in 2017, in 2018 the Chairman conducted an internal Board evaluation process, covering the individual members of the Board and its Committees. The evaluation was carried out using structured interviews with each Director. The evaluation results were presented to the Board at its 19th July 2018 meeting. Progress has been monitored against all action points. The Senior Independent Director also led an evaluation of the Chairman.

It was noted that overall the Board, its Committees and individual directors were functioning well and were all operating within a strong corporate governance framework. Set out below are some of the action points the Board considered, together with progress, as follows:

Action	Progress
Ensure the successful appointment of a new Chair with the right skill set to lead the Board through the next stage of its strategic development.	David Lowden was appointed to the Board with effect from 1 January 2019, and Chairman with effect from 6 March 2019. The Board has determined that David Lowden is the right individual to chair the Company's Board and Nomination Committee.
M&A papers to demonstrate the full integration benefits and synergies that will be achieved with the acquisition.	In the acquisition papers presented to the Board, additional narrative detail of integration process is being included.
Reference M&A activity, ongoing monitoring post acquisition, including review of divisional cross fertilisation benefits and ensuring they are delivered.	At a Board meeting following the anniversary of an acquisition, the Board is to be provided with an assessment of the relevant acquisition including details of any lessons learned/points forward.

Composition of the Board
The Board aims to have a diversity of skills, experience, length of service, knowledge and gender, details of which are set out on pages 34 and 35. These demonstrate a broad range of experience, expertise, and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group.

Independence
The Board considers that all of the current Non-Executive Directors are independent of the management of the Group and are free from any business or other relationship which is likely to affect, or could appear to affect, the exercise of their independent judgement. The interests of the Non-Executive Directors in the shares of the Company are set out in the Report of the Directors on Remuneration.

In accordance with the Company's Articles of Association, all Directors are already subject to reappointment by shareholders at the first Annual General Meeting after their appointment and annually thereafter. All Non-Executive Directors are appointed for an initial period of three years, subject to election at the AGM following appointment, and annual re-election at each AGM thereafter.

Conflicts of interest
The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has put in place a formal system for Directors to declare conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. Furthermore, the Board has in place measures to manage any actual or potential conflict of interest situations that may arise, which operate effectively. In deciding whether to authorise a potential or actual conflict, the non-conflicted Directors are required to act in the way that they consider would be most likely to promote the success of the Company. They may impose limits or conditions when giving authorisation or subsequently, if they think this is appropriate.

Risk management and internal control

The Board has ultimate responsibility for establishing, monitoring and maintaining the Group's risk management and internal control systems. These systems are designed to enable the Board to be confident that such risks are mitigated or controlled as far as possible, although no system can eliminate the risks entirely.

The Board has established a number of ongoing processes to identify, evaluate and manage the key financial, operating and compliance risks faced by the Group and for determining the appropriate course of action to manage and mitigate those risks. The Board delegates the monitoring of these internal control and risk management processes to the Audit Committee. These measures have been in place throughout the year and up to the date of this Annual Report.

Given the Group's divisional structure, a flexible approach to risk management has been implemented so that each operating business can tailor and adapt its processes to its specific circumstances. The Group's operating divisions have some autonomy with regards to the implementation of risk management and internal control systems which meet their particular business risks and requirements.

A representative from each division is included on the Group's Risk Committee, which reports to the Audit Committee on all risk management matters, including the design and effectiveness of these risk management and internal control systems.

The key features of the risk management and internal controls system, which the Directors have established with a view to providing effective internal control are:

- ongoing review of strategy by the Board, which aims to identify potential strategic risks facing the Group;
- establishing and monitoring of the formal Schedule of Matters reserved for decision by the Board;
- establishing a defined list of authority and approval limits;
- monitoring of actual performance against budget and forecasts. A detailed monthly management pack is prepared, which includes consolidated results and summarised results for each individual business and division. The performance of each business is reviewed monthly by the Executive Directors and reported to the Board at each meeting;
- frequent Executive Director meetings with the management team of each division, which cover any emerging operational, financial, strategic or compliance issues and controls;
- at least annually, the Board reviews the principal risks identified;
- confirmations of key internal controls, including financial controls, are received quarterly from each business. The purpose of these confirmations is to confirm the operation of an appropriate system of internal controls and to highlight any potential new risks facing the business;
- the Executive Directors are responsible for appraising investments; those which are above pre-specified limits are put to the Board for approval;
- the Audit Committee reports to the Board at each Board meeting. Risks and controls are reviewed through the Risk Committee to ensure effective management of appropriate strategic, financial, operational and compliance issues; and
- internal audit provides an independent assessment of the systems and controls in place across the Group. Businesses are selected for internal audit on a risk-focused basis; the results of internal audits are reported to management and to the Audit Committee.

The Board and Group management continue to review and enhance the Group's risk management framework to ensure that they are actively identifying and managing risks in the most efficient and effective way for the Group.

Investor relations

Relations with shareholders

The Company is committed to ongoing dialogue with all of its shareholders.

During 2018, an extensive consultation process with the Company's key shareholders and investor bodies was undertaken with regard to the 2019 Policy. Further details on this consultation process can be found on page 49.

The Company holds presentations and conducts meetings with its institutional shareholders and City analysts throughout the year. The Chairman and the Executive Directors, as appropriate, also meet with various institutional shareholders from time to time. The outcomes of the meetings are reported to the Board to ensure that the Board keeps in touch with shareholder views.

All shareholders are welcome to attend the Company's Annual General Meeting and are encouraged to take advantage of the opportunity to direct questions to members of the Board. An overview of the Company's results and future plans is given by the Chairman at the Annual General Meeting prior to the commencement of the formal business of the meeting.

Information on share capital and other matters

The information on share capital required to be included in this Report can be found in the Report of the Directors.

Audit Committee Report

Members:	Attendance at meetings during 2018
Pat Billingham (Chair)	3 of 3
Nicky Dulieu	3 of 3
Andy Boland	3 of 3
Elizabeth McKee Anderson	3 of 3

Key responsibilities:

- reviewing and providing a recommendation to the Board for the adoption of the Interim Report and Annual Report and Accounts;
- reviewing significant financial reporting judgements contained within those reports, including challenging assumptions and estimates used in the preparation of the financial statements;
- monitoring the financial reporting process;
- advising the Board whether the Committee believes that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- monitoring and reviewing the effectiveness of the Group's internal controls, including review and approval of the scope of the internal audit programme, reviewing the findings of internal audits completed in the period, and conducting an overall review of the effectiveness of the risk management and internal audit functions; and
- oversight of all aspects of the relationship with the external auditor, including independence, objectivity and effectiveness of the audit process and the provision of additional services by the external auditor.

The Committee's Terms of Reference are available on the Company's website at www.huntsworth.com.

Members of the Audit Committee are provided with sufficient resources, and have broad business and financial experience which has been gained in a variety of disciplines, which the Board considers provides recent and relevant experience to enable the Committee to carry out its responsibilities. Further details on the members of the Committee can be found on pages 34 and 35.

Audit Committee meetings

The Audit Committee held three meetings during the year. The Audit Committee provides a forum for reporting by the Group's external auditors. Meetings were also attended, by invitation, by the Chairman, Chief Financial Officer and Chief Executive Officer, the Head of Finance and KPMG, the Group's internal auditor. Provision is made for the external auditor and internal auditor to discuss any concerns they may have with the Committee in the absence of management.

Activities of the Committee

The activities of the Committee are designed to assist the Board in carrying out its responsibilities in respect of financial reporting, risk management and internal control. In forming its opinions, the Audit Committee reviews, challenges and takes into account representations made by the Company's subsidiaries in respect of financial statements and internal controls; the results presented by the Company's internal auditor in respect of the operation of the Company's internal controls; the findings of the Company's external auditor; and the work of the Risk Committee.

The Committee considered, discussed and made decisions in relation to a range of matters throughout the course of the year, the most significant of which are highlighted below:

Financial reporting

The Committee reviewed with management and the external auditor:

- whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy;
- the appropriateness of adopting the going concern basis of accounting and whether the Group can meet its liabilities as they fall due over a three-year period (the viability assessment); and
- the significant issues and material judgements which were made in preparing the Interim Report, and the Annual Report and Accounts.

The primary issues and areas of judgement considered by the Committee in relation to the 2017 Interim Report and 2017 Annual Report and Accounts were:

Goodwill impairment	
The assumptions underlying the calculation of value in use require significant judgement to be exercised, primarily in respect of the achievability of budgets and medium-term forecasts.	The Committee has addressed these issues through review, and raising challenge where appropriate, of reports prepared by management outlining the basis of their assumptions and analysing the impact of a number of different scenarios. Individual business forecasts are reviewed and approved by the Board. Further detail is included in Note 12.

Covenant compliance, going concern and viability	
The Group has to demonstrate that it can continue to meet the covenants of its banking facility for a period of at least 12 months from the date of approval of the financial statements in order for the Board to conclude that the Group is a going concern. The Board also has to make an assessment of the prospects of the Company over a longer period of three years and state whether they consider the Group to be viable over this period.	Budgets, forecasts and assumptions underlying the cash flow and covenant compliance model are approved by the Board and different scenarios are prepared by management for the Committee to consider. The Committee reviewed the processes undertaken by management in preparing the viability assessment, including the potential impact of principal risks and mitigating actions. Management and the Board considered a number of scenarios and performed stress testing before concluding 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 of their assessment. Further detail on the viability assessment process can be found on page 27.

Revenue recognition	
Revenue reflects the fair value of the proportion of the work carried out in the year and therefore judgement exists over revenue cut off at year end.	Management reports to the Committee on this matter, including details of any significant judgements made.

Highlighted items	
Certain acquisition and transaction related costs and amortisation charges have been classified as highlighted items, in line with the Group's accounting policies.	Particular consideration was given to the consistency of classification of highlighted items and whether their presentation can be considered fair, balanced and understandable. The Committee addressed this judgement by reviewing with management the definition of highlighted items as per the Group's accounting policy and the items disclosed to satisfy themselves that they are in accordance with this policy. Refer to detailed disclosure in Note 6.

Acquisition Accounting	
The Group has to determine the value of separately identifiable intangible assets in a business combination, and the Group is required to make judgements when utilising valuation methodologies. There are significant judgements involved in assessing what amounts are recognised as the estimated fair value of assets and liabilities acquired through business combinations, particularly the amounts attributed to separate intangible assets such as brands and customer relationships. These judgements impact the amount of goodwill recognised on acquisitions. Any provisional amounts are subsequently finalised within the 12-month measurement period, as permitted by IFRS 3. Details of acquisitions in the year are set out in Note 3.	The Committee reviewed the methodologies used, including the use of discounted cash flows, revenue forecasts and the estimates for the useful economic lives of intangible assets.

All of the above were key areas of audit focus and the auditor also provided detailed reports to the Audit Committee on its procedures, findings and conclusions.

Having undertaken the review processes detailed above, the Audit Committee is satisfied with the underlying assumptions and judgements made in respect of these issues and supports the conclusions reached by management.

Audit Committee Report continued

Notably, the Committee also reviewed the impact on the Company of the new accounting standards IFRS 15 'Revenue Recognition' and IFRS 16 'Leases'.

Risk management and internal control

The Audit Committee monitors controls which are in force and any perceived gaps in the control environment, and also considers and determines relevant action in respect of any control issues raised by the external and internal auditors. The findings of the Audit Committee are communicated to the Board.

In this area of risk and control, the main activities for the Audit Committee during the year were:
- reviewing reports provided by the Risk Committee on risk management activities in the year, including a proposal for the Company's risk appetites and how to monitor the Group's current status against the appetite;
- reviewing the Group's risk documentation and challenging the classification and completeness of the risks identified;
- reviewing the Group's risk register;
- reviewing the controls which are in force to ensure the integrity of the information reported to shareholders;
- monitoring the Group's litigation register;
- assessing the effectiveness of the Group's risk management systems, including fraud, bribery, IT breaches and legal and regulatory risk and controls; and
- reviewing the Group's ongoing IT and cyber security arrangements, including the creation of a cyber security framework.

The Committee reviewed and challenged a number of reports prepared by management in conducting these activities.

Role of the Risk Committee

The Risk Committee reports to the Audit Committee on risk management activities undertaken by the Group. The Committee currently comprises senior management representatives from each division, Group management and the Chair of the Audit Committee, Pat Billingham. The Committee has a formal schedule of matters delegated to it which includes:
- developing and maintaining risk management policies and procedures as appropriate;
- developing and maintaining the Company's overall risk appetite, tolerance and strategy;
- developing and maintaining a risk register and report to the Audit Committee on the key risks the Company is exposed to;
- assigning responsibilities to manage specific risks, as appropriate and review the Company's capability to identify and manage new risks and assess the steps taken to mitigate them;
- reviewing Group policies to ensure that they are up to date and relevant to risk management objectives;
- reviewing the Company's annual statement on Internal Controls, with specific reference to risk management, prior to endorsement by the Audit Committee; and
- taking appropriate action relating to findings from the work of the internal auditor.

During 2018, the Risk Committee provided the Audit Committee and Board with proposals for the Company's risk appetite as well as key indicators to enable effective monitoring of risk.

Internal audit

Internal audit performs reviews as part of a programme approved by the Audit Committee. KPMG LLP were engaged to provide internal audit services.

The internal auditor has a direct reporting line to the Chairman of the Audit Committee. The Committee considers any issues or risks arising from internal audit reviews and monitors the implementation of actions arising.

During the year the main activities of the Audit Committee regarding internal audit matters were:
- reviewing and approving the scope of internal audit activities for 2018 and KPMG LLP's proposed internal audit plan for 2019;
- monitoring the effectiveness of internal audit activities, including reviewing the results of all internal audit procedures and reports undertaken during the year; and
- monitoring the status of any deficiencies in the control environment, ensuring active follow up and resolution.

External audit

The remit of the Audit Committee includes:

- advising the Board on the appointment, reappointment and removal of the external auditor and on their remuneration both for audit and non-audit work;
- approving the nature and scope of the external audit with the external auditor;
- discussing the findings of the external audit with the external auditor and assessing the effectiveness of the audit; and
- reviewing the independence and objectivity of the external auditor, including the level of fees paid.

Audit effectiveness

One of the key responsibilities of the Audit Committee is to assess the effectiveness of the external audit process. Since December 2016, PricewaterhouseCoopers LLP (PwC) has served as the Company's external auditor.

During the year, the Committee reviewed the reports they received from PwC in their capacity as the auditor, including the audit plan and the results of the audit work performed. The Committee challenged, where necessary, the risks identified and the results of the work performed, and sought feedback from management on the effectiveness of the audit process.

The Audit Committee has reviewed the cost effectiveness, independence, objectivity and expertise of the external auditors and following this review recommended to the Board that PwC be proposed for reappointment as the external auditors for 2019.

Auditor's independence and objectivity and non-audit services

It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's objectivity and independence. PwC were initially appointed in December 2016, following a tender process, and their reappointment was approved by shareholders at the 2018 AGM. The audit partner for PwC retired during the year and a new partner, Arif Ahmad, was chosen. This is therefore the first year for the new audit partner.

The Committee continually reviews the nature and extent of non-audit services provided to the Group by the external auditor and receives confirmation from them, at least annually, that in their professional judgement, they are independent with respect to the audit. The Audit Committee oversees the nature and amount of non-audit work undertaken by the external auditor each year to ensure that external auditor independence and objectivity is safeguarded.

The Audit Committee has a policy governing the use of the external auditor for non-audit related services. The policy prohibits the external auditor from engaging in certain services that may give rise to actual or perceived audit independence issues. A copy of the policy is available on the Company's website (http://www.huntsworth.com/investor-relations/corporate-governance/). This policy was reviewed by the Audit Committee during the year and it was agreed to amend the policy to remove the category of services considered to be 'pre-approved' by the Audit Committee (thereby ensuring that all non-audit services require the approval of the Audit Committee), and remove a monetary approval level, thereby meaning that all new engagements with the incumbent auditor for non-audit services required specific Audit Committee approval, regardless of the level of fees involved.

Details of the non-audit fees paid to the external auditors are set out on page 100. The provision of non-audit services, within the constraints of applicable UK rules, is assessed on a case-by-case basis so that the best-placed advisor is engaged.

Nomination Committee Report

Members:	Attendance at meetings during 2018
Derek Mapp (Chair)	5 of 5
Andy Boland	5 of 5
Pat Billingham	5 of 5
Nicky Dulieu	5 of 5

Key responsibilities:

- identifying and recommending candidates to the Board to be appointed as Directors;
- making recommendations to the Board on the composition of the Board Committees;
- considering succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Group, and what skills and expertise are therefore needed on the Board in the future; and
- consideration of the Group's people strategy and culture.

The Nomination Committee meets as necessary and ensures that for all senior and main Board appointments, including the composition of the Board Committees, due consideration of both external and internal candidates is given prior to making recommendations to the full Board.

Appointments are made on merit alone, with due consideration of the benefits of diversity in its broadest sense, including gender. During 2018, the Board had 43% female representation (3 out of 7). The Committee understands the benefits of boardroom diversity and its aspiration and expectation is to maintain the current proportion of women on the Board, while maintaining flexibility to ensure that all appointments are made on merit, regardless of gender. Similarly, the Committee recognises the importance of having a diverse leadership to support good decision-making, amongst its senior management.

During the year, the activities of the Nomination Committee included, amongst other things:

- Assessing the skill set and composition of the existing Board and its Committee.
- Reviewing the composition of the Remuneration Committee following the resignation of Tim Ryan, and considering that Andy Boland would be an appropriate person to join the Committee.
- Reviewing the continued contribution and effectiveness of Pat Billingham, whose first three-year term expired on 1 December 2018. The Nomination Committee recommended the extension of the appointment of Pat Billingham for a further three-year term to the Board, subject to annual re-election at each Annual General Meeting in accordance with the Company's Articles of Association.
- Following Derek Mapp's decision to step down as the Company's chair and resign from the Board, the Nomination Committee agreed to engage Korn Ferry, an external search consultancy, to assist in the appointment of a Chairman. Korn Ferry has no other connection with the Company. This search was led by Andy Boland, Senior Independent Director and was successfully concluded with the appointment of David Lowden as a Non-Executive Director and chairman-elect of the Board and Nomination Committee. Derek Mapp did not participate in any of the discussions concerning the appointment of his successor as Chairman.
- Discussing succession planning both in respect of Board members and senior management within the business, both on an emergency and long-term basis, identifying any retention risks.
- Discussing the output of the 2018 evaluation exercise of the Board and its Committees. Please refer to page 40 for further details.
- Discussing its remit and future role, including reviewing its terms of reference.
- Discussing the requirement under the New Code to have greater formal engagement between the Board and the Group's workforce, and agreeing that Pat Billingham would be appointed the designated Non-Executive Director to undertake this role.

Report of the Directors on Remuneration

The Remuneration Committee

Members:	Attendance at meetings during 2018
Nicky Dulieu (Chair)	8 of 8
Pat Billingham	8 of 8
Andy Boland[1]	6 of 6

1 Andy Boland was appointed as a member of the Remuneration Committee with effect from 6 March 2018.

Key responsibilities:

- setting the remuneration policy for Executive Directors and the Company's Chairman;
- determining the total remuneration packages for each Executive Director and the Chairman;
- from 1 January 2019, under the New Code, determining the salaries for the senior management including the Company Secretary;
- approving the design of, and determining targets for, performance-related pay schemes;
- selection of remuneration consultants as required; and
- approving the new Remuneration Policy and Report of the Directors on Remuneration.

The Committee endeavours to ensure that the Group's remuneration strikes an appropriate balance between the interests of the Company's shareholders and rewarding and motivating the Executive Directors and Senior Management of the Group. The Committee is responsible for the design and development of remuneration policies for the Executive Directors of the Company and Senior Management of the Group.

Other Directors attend Remuneration Committee meetings by invitation only. The Board as a whole reviews the policy and sets the remuneration for Non-Executive Directors.

Report of the Directors on Remuneration continued

Annual Statement

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2018. This report has been split into three parts:

- This Annual Statement, setting out the key remuneration decisions during the year;
- The Annual Remuneration Report, detailing the implementation of the Company's Remuneration Policy during the 2018 financial year and for the 2019 financial year; and
- The new 2019 Directors' Remuneration Policy (the **2019 Policy**), which will be put to shareholders for approval at the 2019 AGM. The 2019 Policy reflects a new remuneration strategy and I set out below the key drivers behind the changes made. I also detail the process undertaken which involved consultation with major shareholders and investor bodies, and incorporating feedback received in the construction of the 2019 Policy.

Key Decisions made by the Committee in 2018:

2018 was a year of strong progress which saw record financial performance and further significant progress towards the Company's strategic aims. This was reflected in the share price, which grew by 33% over the course of the year.

All Remuneration Committee (**Committee**) decisions were made with a view to ensuring that Executive remuneration arrangements remain aligned to the long-term performance of the Company and targets continued to be as equally stretching as originally envisaged.

2018 Performance Targets and Annual Bonus outcome

The Remuneration Committee set the performance targets for Paul Taaffe and Neil Jones (together the **Executive** or **Executive Directors**) in respect of their 2018 Annual Bonus.

The 2018 Annual Bonus Scheme was based upon achieving headline profit before tax (**HPBT**) and revenue targets of £27.0m and £208.9m respectively, with HPBT having an 85% weighting and revenue a 15% weighting. As was the case in previous years, the Remuneration Committee agreed that any bonus would only be payable to the extent that it did not reduce HPBT to below £27.0m, being the threshold target.

In setting the 2018 bonus performance targets, the Committee determined that the 2018 Annual Bonus Scheme may include a contribution towards the achievement of targets from 'in period' unbudgeted acquisitions, but only after achieving organic growth targets at 105% of threshold. As the organic growth performance targets were not met by the Executive, there was no inclusion of any profits or revenue arising from the M&A activity during 2018.

Hence after removing the impact of M&A activity, the Company achieved HPBT of £27.9m (or 103.5% of the HPBT threshold target) and revenues of £210.7m (representing 100.9% of the revenue threshold target). The 2018 Annual Bonus payable to the Executive Directors represented 90% of their salary during the year (which equates to 60% of the maximum bonus opportunity).

Under the policy applying during 2018, 100% of any bonus payment in excess of 100% of salary is subject to compulsory deferral under The Huntsworth Deferred Share Bonus Plan 2016 (**2016 DSBP Scheme**). However, as bonus payments did not exceed 100% of salary, no awards will be made under the 2016 DSBP Scheme.

Further details on the performance targets for the 2018 Annual Bonus and outcomes against these can be found on pages 51 and 52.

Long-term incentive plan (LTIP) awards made in 2018

As referred to in the Company's 2017 Annual Report & Accounts, awards were made in 2018 to the Executive under the 2016 LTIP Scheme rules with award sizes of 100% of salary. The vesting of LTIP awards made in 2018 is based on a stretching headline earnings per share (**HEPS**) target, which includes conditions to accommodate M&A activity within acceptable gearing levels.

For Paul Taaffe, as per the approach for his annual bonus, the award under the 2016 LTIP Scheme continued to be based on his GBP£ denominated salary of £600,000.

Further details on the performance targets can be found on page 53.

Long-term incentive outcomes in respect of 2018 performance

The following awards are due to vest in 2019 following the completion of the performance period ended on 31 December 2018:

- An award granted to Paul Taaffe in 2016 under The Huntsworth Long Term Incentive Plan 2016 (**2016 LTIP Scheme**) (the **2016 LTIP Award**);
- The long-term incentive award granted to Neil Jones in 2016, being an award under The Huntsworth Performance Share Plan (**PSP Scheme**) (the **2016 PSP Award**), and
- The award granted to Neil Jones under The Huntsworth Executive Share Option Scheme 2006 (**2006 ESOS Scheme**) (the **2016 ESOS Award**), as compensation for the loss of awards from his previous employment.

Vesting of the 2016 PSP Award and the 2016 LTIP Award, are subject to the achievement of stretching HEPS and total shareholder return (**TSR**) performance targets, whilst the 2016 ESOS Award is subject to a HEPS performance target.

Given the Company's strong financial performance since the grant of the awards, the 2016 LTIP Award, 2016 PSP Award and the 2016 ESOS Award, are all expected to vest in full.

Further details on the performance targets and the performance outcomes can be found on pages 52 and 53.

M&A activity

2018 saw the acquisitions of AboveNation, Giant and Navience (together, the **2018 Acquisitions**). To take into account the impact of the Company's M&A activity during 2018, the Remuneration Committee made amendments to the existing performance targets of the 2016 LTIP Award and the 2016 PSP Award. In addition awards made in 2017 under the 2016 LTIP Scheme, were similarly amended. With regard to the 2016 ESOS Award, it was agreed to remove the HEPS impact of the 2017 and 2018 Acquisitions.

As noted above, the 2018 Annual Bonus Scheme and the 2018 awards under the 2016 LTIP Scheme, both have a built-in mechanism for dealing with M&A activity.

2019 Policy:

Our current Remuneration Policy was approved by a majority of shareholders at the 2016 AGM, and therefore we are required to seek approval for a new remuneration policy at the 2019 AGM under the usual three-year cycle. We intend to set Executive remuneration arrangements under the 2019 Policy for the three-year period commencing with 2019.

The Committee considers that the current remuneration policy has served the Company well in what was a turnaround period for the business. Since this policy was introduced and up until the end of 2018, Huntsworth has experienced share price growth of circa 140% and the Executive have effectively stabilised and grown the business, both in terms of financial size and profitability. However, going forward we need to structure our executive incentives in a way that better reflects the changing needs of our business, with a greater focus on longer-term performance and the expectations of our shareholders.

Consultation Process

In constructing our 2019 Policy, an extensive consultation process with the Company's largest shareholders (representing circa 74% of equity) and investor bodies was undertaken. The feedback received during this consultation process was carefully considered by the Committee and fed into our final proposals. The Committee considers that the 2019 Policy is reflective of the various views of our shareholders. As Remuneration Committee Chair, I would personally like to thank those shareholders and investor bodies who took part in the consultation process, your feedback has been invaluable.

Key Changes

The Committee considers it paramount for the 2019 Policy to align with the future direction and expected growth of the business, while remaining relevant for the competitive business and talent markets in which Huntsworth operates. Going forward variable pay will have a greater long-term focus, more closely aligning the Executive and wider management with our shareholders. Furthermore, the Committee are mindful of the latest developments in market practice and corporate governance standards and have reflected these in the 2019 Policy.

The proposed key changes are summarised as follows:

1. Annual Incentive Plan (AIP)

- **Reduction in annual opportunity levels** – a decrease in the maximum award from 150% to up to 120% of salary.
- **Enhance deferral requirements** – 30% of any annual incentive payable will be deferred for a period of two years.

2. LTIP

- **Increase in long-term incentive opportunity** – increasing the normal award level from 100% to up to 150% of salary (no change to exceptional maximum of 200% of salary).

3. Pension

- **Reduction in pension provision for new hires** – whilst the current Executive do not receive a pension benefit, for future Executive Director appointments we will reduce pension contributions from 20% of salary to the average contribution for the wider workforce.

4. Shareholding Guidelines

- **Increase shareholding guidelines** – the Executive will now be required to build up a shareholding of at least 200% of salary (previously 100% of salary).
- **Introduce a post-employment shareholding policy** – cognisant of the new UK Corporate Governance Code, the Committee is introducing a post-employment shareholding policy, under which the Executive will typically be required to hold interests in shares equal to 100% of salary for one-year post-cessation of employment.

Under the above proposals, total variable pay opportunity for the Executive would increase from 250% to 270% of salary. The Committee consider this appropriate taking into account the growth of the business over the last few years and the strong performance of the Executive since their appointment. Furthermore, the increase in long-term opportunity is balanced by the reduction in AIP opportunity, which historically has a greater likelihood of pay-out.

Report of the Directors on Remuneration continued

Annual Statement continued

Application of the 2019 Remuneration Policy:

Salaries

Salaries for Executive Directors have been increased by 3% for 2019, in line with the average increase awarded to all-employees. Therefore, Paul Taaffe's annual salary increases to $964,080 and Neil Jones's to £370,800 for 2019. Paul Taaffe's variable pay arrangements will still be determined against a GBP£ denominated salary figure, which likewise increases by 3% from £600,000 to £618,000.

AIP and LTIP

While reviewing the 2019 Policy the Committee also considered the choice of performance measures to be used for both the AIP and LTIP in 2019. It was felt that the current framework (AIP primarily based on PBT and the LTIP based on EPS) no longer aligns with shareholder returns on their investments, especially in the scenario where we use Company profits or seek support from shareholders to grow the business. To address this, the Committee is introducing the following new measures in addition to HPBT and EPS:

- **Organic revenue growth** – to ensure growth is driven not just from acquisitions;
- **Cash Conversion** – providing a focus on cash efficiency and thereby reducing debt, with the aim of generating the funds to grow by acquisition; and
- **Return on Invested Capital (ROIC)** – taking into account the Company's pre-tax weighted average cost of capital (**WACC**), we are looking to ensure the business achieves iterative improvement in ROIC which will form a base line of tolerance for any new acquisitions.

Further details on the proposed changes to both the 2019 Policy and its application for 2019, can be found on pages 58 to 71.

New Code considerations:

Following the publishing in July 2018 of the new UK Corporate Governance Code (the **New Code**), steps have been taken by the Company to ensure compliance from 1 January 2019 onwards. The steps taken include:

- A review of the Company's variable remuneration arrangements, including share plan rules, to, amongst other matters, ensure the Committee has sufficient flexibility to exercise discretion to override formulaic outcomes.
- Agreeing and implementing processes and procedures to enable the Committee to set remuneration for senior management, including the Company Secretary.
- An ongoing review of engagement with the workforce to enable the Committee to explain how executive remuneration aligns with wider Company pay policy.

Prior to the publication of the New Code, the Company had already implemented a two-year holding period for LTIP awards granted to the Executive from 2018, thereby extending the total time horizon to five years and hence ensuring that the Company was already in compliance with this aspect of the New Code.

Lastly, the Committee has reviewed its processes to ensure it has robust systems in place to demonstrate that the Executive have agreed to malus and clawback terms across all variable remuneration arrangements.

Conclusion

We have taken steps to ensure that the Company's remuneration arrangements and structure continue to reflect the needs of our business and expectations of our shareholders.

At the AGM on 9 May 2019, shareholders will be invited to vote on the Annual Remuneration Report for 2018 (advisory vote) and the 2019 Policy (binding vote). We were pleased to receive high levels of shareholder support at our 2018 AGM and I look forward to receiving your support once more.

Lastly, I wish to thank my Committee colleagues for their full support over the year.

Nicky Dulieu
Chair, Remuneration Committee
4 March 2019

Annual Remuneration Report

In this section of the report, we provide details of the payments made to the Directors relating to the 2018 financial year and the implementation of our 2019 Policy for the 2019 financial year.

Single total figure of remuneration – Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in relation to the 2018 financial year, together with comparative figures for 2017. Details of Non-Executive Directors' fees are set out on page 53.

	Paul Taaffe		Neil Jones	
£'000	**2018**	2017	**2018**	2017
Salary[1]	**699**	727	**360**	350
Benefits[2, 3, 4]	**28**	24	**11**	9
Short term incentive (i.e. annual bonus)	**542**	712	**325**	415
Long-term incentives (**LTIP**)	**1,445**	3,590	**1,259**	–
Pension[5]	**–**	–	**–**	–
Total	**2,714**	5,053	**1,955**	774

1. Paul Taaffe's salary continues to be denominated in USD. This gives a salary figure of £699k during the full year 2018 at an average exchange rate of 1.34. However, for calculation of his 2018 bonus and LTIP award, Paul Taaffe's pre-1 October 2016 GBP£ denominated base salary of £600,000 has been used.
2. Benefits received by Paul Taaffe are private medical insurance, life assurance and UK tax return preparation services.
3. Benefits received by Neil Jones are private medical insurance, private health insurance and life assurance.
4. The 2017 benefits figure for Neil Jones has been restated to include the £4,427 cost of providing private health insurance during 2017.
5. Under the terms of their service agreements, neither Executive Director receives a pension benefit or payment in lieu of a pension.

In the above table, Paul Taaffe's LTIP figure for 2018 of £1,445k relates to the vesting of his 2016 LTIP Award. Of this figure £845k relates to share price growth over the vesting period. Neil Jones' LTIP figure for 2018 of £1,259k relates to the vesting of both his 2016 PSP Award and 2016 ESOS Award. Of this figure £909k relates to share price growth over the vesting period. These figures are calculated based on the three-month average share price to 31 December 2018.

The equivalent figure for 2017 of £3,590k relates to the vesting of Paul Taaffe's award under the PSP Scheme in 2015 (**2015 PSP Award**) and his award under the 2006 ESOS Scheme. This figure has been restated to reflect the actual TSR performance outcome for the 2015 PSP Award and the actual share price on 10 May 2018 and 20 April 2018 respectively, being the third anniversary of each date of grant. There was no change from the estimated outcome of the TSR element as stated in the 2017 Director's Remuneration Report. Of the total £3,590k, £2,581k relates to share price growth.

Neil Jones is a non-executive director of Taptica International, an AIM listed Ad-Tech business, for which he receives an annual fee of £40,000 per annum.

The following sections of the report explain how each element of remuneration was calculated.

Annual Bonus (audited)

The Annual Bonus targets for 2018 were based upon achieving a stretching adjusted profit before tax target (HPBT Performance Target), based on normalised earnings, and a stretching revenue target (Revenue Performance Target).

As described on page 48, in setting the 2018 bonus performance targets, the Committee determined that the 2018 Annual Bonus Scheme may include a contribution towards the achievement of targets from 'in period' unbudgeted acquisitions, but only after achieving organic growth targets at 105% of threshold. As the organic growth performance targets were not met by the Executive, there was no inclusion of any profits or revenue arising from the M&A activity during 2018 when assessing performance.

The amount of Annual Bonus payable was based on actual performance as a percentage of each target, as shown in the table below. In addition, the Committee determined, consistent with prior years, that the Annual Bonus would only be payable to the extent that it did not reduce post-bonus HPBT below the threshold target of £27.0m (i.e. the payment of any Annual Bonus is contingent on the threshold level of HPBT being achieved).

% of threshold targets achieved	% of salary payable
<90%	0%
100%	75%
105%	100%
120%	150%

Report of the Directors on Remuneration continued

Annual Remuneration Report continued

The table below summarises the amounts payable in total to the Executive Directors. The Annual Bonus payable amounted to £542,000 to Paul Taaffe and £325,000 to Neil Jones, based upon Paul Taaffe's 2018 salary being £600,000 and Neil Jones's 2018 salary being £360,000.

					Total Actual Bonus payable	
	Weighting	Threshold target	Maximum target	Actual	as a percentage of salary	as a percentage of the maximum opportunity of 150%
HPBT Performance Target	85%	£27.0 million	£32.4 million	£27.9 million	78%	52%
Revenue Performance Target	15%	£208.9 million	£250.68 million	£210.7 million	12%	8%
				Total:	90%	60%

Under the policy applied during 2018, the 2018 Annual Bonus is subject to the compulsory deferral of 100% of any bonus payment in excess of 100% of salary. As the 2018 Annual Bonus outcome is less than 100% of salary, no share awards will be made to Paul Taaffe and Neil Jones under the 2016 DSBP Scheme.

Malus and clawback provisions apply to the 2018 Annual Bonus.

Paul Taaffe's 2015 PSP Award – restatement of outcome following the end of the TSR performance period:

The 2015 PSP Award was subject to achieving a HEPS target for the year ended 31 December 2017 and a TSR target calculated on 10 May 2018, and last year's Directors' Remuneration Report included an estimation of the TSR element. The Company's TSR performance as at 10 May 2018 put Huntsworth plc in the upper quartile. Therefore, consistent with the estimated outcome, 100% of the TSR element vested, resulting in the total number of shares that vested for this award being 2,502,258.

Paul Taaffe 2016 LTIP Award and Neil Jones 2016 PSP Award:

In 2016, Paul Taaffe was granted an award under the 2016 LTIP Scheme equivalent to 1,318,681 shares (i.e. 2016 LTIP Award) and Neil Jones was granted 848,484 shares under the PSP Scheme (i.e. 2016 PSP Award). Both these awards were subject to the same targets, being a HEPS target and TSR performance over the three-year period ended 31 December 2018. The value of these awards, based on the number of shares vesting, has been included in the single total figure table on page 51.

As explained on page 49, the HEPS performance targets attaching to both the 2016 LTIP Award and the 2016 PSP Award were adjusted (i.e. by increasing the targets) during 2018 to take into account the impact of the 2018 Acquisitions. This follows the adjustments made in 2017 to reflect acquisitions during the 2017 financial year. Furthermore, as disclosed on page 49 of the 2017 Directors' Remuneration Report, it was agreed that the impact of the Tax Disclosure Change should be removed from HEPS in the performance outcome of, amongst other awards, the 2016 LTIP Award and the 2016 PSP Award. The Committee is of the opinion that the adjusted performance targets remain as stretching as originally intended.

The table below sets out sets out details of the revised performance targets as well as actual performance outturns.

		Performance targets			
	Weighting	Threshold vesting[1] (25% of maximum)	Maximum vesting[1] (100% of maximum)	Actual	Total LTIP vesting as a percentage of maximum
Cumulative HEPS	67%	10.91p	12.11p	15.03p[2]	100%
Relative TSR[3]	33%	Median	Upper quartile	Above upper quartile	100%
				Total:	100%

1. Straight-line vesting between threshold and maximum, with no vesting for performance below threshold.
2. Adjusted EPS performance for the years ended 31 December 2016, 2017 and 2018 was 3.4 pence, 5.03 pence and 6.6 pence, respectively.
3. TSR is measured relative to the FTSE 250 excluding financial services and extraction companies.

Hence the 2016 LTIP Award and the 2016 PSP Award will vest in full, meaning that:

- The total number of shares that will vest on 9 June 2019 to Paul Taaffe from the 2016 LTIP Award is 1,318,681 shares.
- The total number of shares that will vest on 14 March 2019 to Neil Jones under the 2016 PSP Award is 848,484 shares.

Neil Jones' 2016 ESOS Award:

Upon Neil Jones's appointment to the Board in February 2016, by way of compensation for awards forfeited at his previous employment, he was awarded an option under the Company's 2006 ESOS Scheme over 501,853 shares with an exercise price being calculated as the market value of a share on the date of grant plus 5% (i.e. 43.84p).

This award vests on 14 March 2019 subject to HEPS for the year ended 31 December 2018 being greater than 3p. As disclosed on page 49 of the 2017 Directors' Remuneration Report, it was agreed that the impact of the Tax Disclosure Change should be removed from HEPS in the performance outcome of the 2016 ESOS Award, and as noted on page 49, the HEPS impact of the 2017 and 2018 Acquisitions was also removed.

The Company's actual HEPS reported for the year ended 31 December 2018 is 7.1 pence. After removing the impact of the Tax Disclosure Change and the 2017 and 2018 Acquisitions, the adjusted HEPS for the year ended 31 December 2018 is 5.2 pence, resulting in this award vesting in full.

Pension entitlements and cash allowances (audited)

Neither Paul Taaffe nor Neil Jones receive an annual pension contribution or allowance.

Long-term incentives awarded in 2018 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2018 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

	Award type	Basis on which award made	Face value of award	Maximum percentage of face value that could vest	Performance period end date
Paul Taaffe	2016 LTIP Scheme	2018 awards (100% salary)	£600,000[1]	100%	31 December 2020
Neil Jones	2016 LTIP Scheme	2018 awards (100% salary)	£360,000	100%	31 December 2020

1. As described on page 48, Paul Taaffe's awards under the 2016 LTIP Scheme are based on the GBP£ denominated salary of £600,000.

A two-year holding period applies to the awards made to the Executive in 2018.

Performance conditions for 2018 awards (audited)

2016 LTIP Scheme

The 2018 awards were based solely on achieving stretching HEPS targets that grow the core business and deliver accretive M&A activity as detailed below.

Cumulative HEPS for the 3 years ending 31 December 2020 as follows:	
Less than 20.0 pence	0% vests
Equals 20.0 pence = threshold vesting	25% vests
More than 20.0 pence but less than 22.8 pence	Straight-line vesting between 25% and 100%
Greater than or equal to 22.8 pence	100% vests

As noted in the 2017 Directors' Remuneration Report, the cumulative HEPS required for maximum vesting (22.8 pence) is approximately 54% higher than the cumulative HEPS required for maximum vesting in respect of the 2017 awards (being 14.77 pence), illustrating the stretching nature of the targets.

The awards also include conditions to accommodate M&A activity within acceptable gearing levels.

The 2018 share awards are subject to malus and clawback provisions.

Payments to past Directors (audited)

No payments to past Directors were made during the year.

Payments for loss of office

No payments for loss of office were made to Directors during the year.

Single total figure of remuneration – Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director who served during 2018.

£'000	**2018**	2017
Derek Mapp[1]	**140**	135
Andy Boland[1, 2]	**48**	40
Nicky Dulieu[1, 3]	**50**	44
Pat Billingham[1, 3]	**50**	43
Elizabeth McKee Anderson[1]	**43**	–

1 The fees payable to the Non-Executive Directors and Chairman were increased with effect from 1 January 2018 as detailed in last year's Directors' Remuneration Report.
2 Andy Boland's pay includes a fee element to reflect his appointment as Senior Independent Director from 1 January 2018.
3 Nicky Dulieu and Pat Billingham each received a fee increase for their role as chairs of the Remuneration Committee and Audit Committee respectively.

Report of the Directors on Remuneration continued

Annual Remuneration Report continued

Statement of Directors' shareholdings (audited)

The number of shares in the Company in which Directors had a beneficial interest and details of relevant long-term incentive interests as at 31 December 2018 are set out in the table below.

No awards were exercised by Neil Jones in the 2018 financial year.

Paul Taaffe received 2,502,258 shares pursuant to his 2015 PSP Award on 9 October 2018. After selling sufficient shares to cover his tax and social security liabilities, dealing costs and related charges, he retained 1,258,813 shares.

There were no changes in the shareholdings of Directors in office as at 31 December 2018 between the year-end and the announcement date.

					Vested awards		Unvested awards		
Executive Director	Shareholding requirement (% of salary/fees)	Target number of shares to hold	Current shareholding guidelines met?	Interests in shares	Market priced awards	Nil cost awards	Awards with performance conditions	Awards not subject to performance conditions	Total interests in shares
Paul Taaffe	100%[3]	555,556	Yes	1,658,813	2,000,000	–	3,564,268[1]	144,845[1]	3,803,658
Neil Jones	100%[3]	333,333	Yes	400,000	–	–	2,673,149[2]	84,407[2]	484,407

1 Paul Taaffe has 3,564,268 unvested awards under the 2016 LTIP Scheme, and 144,845 unvested nil cost awards under the 2016 DSBP Scheme. Further details on these awards can be found on page 55.
2 Neil Jones has 501,853 unvested market priced awards (with an option price of 43.84p) under the 2006 ESOS Scheme, 848,484 unvested awards under the PSP Scheme, 1,322,812 unvested awards under the 2016 LTIP Scheme, and 84,407 unvested nil cost awards under the 2016 DSBP Scheme. Further details on these awards can be found on page 55.
3 The share price of 108.0 pence (as at 31 December 2018) has been taken for the purpose of calculating the current shareholding as a percentage of salary/fees. Unvested share awards do not count towards satisfaction of the shareholding guidelines. Vested share awards and shares awarded under the 2016 DSBP Scheme are counted towards the shareholding requirement. Vested but unexercised awards count towards the shareholding requirement based on the intrinsic gain in the award as at 31 December 2018. For vested market-priced awards, the number of shares which count toward the shareholding guideline is calculated as the number of shares that could be purchased based on the intrinsic value of such awards, i.e. the value of shares less the exercise price. Where the exercise price is above the value of the shares, no value is attributed to these awards.

Shareholding policy – Executive Directors

Under the current Company's shareholding policy, all Executive Directors are expected to hold shares (including vested share awards where applicable) equivalent in value to a minimum of one times their salary. Executive Directors will be required to retain 50% of after-tax vested share awards until their shareholding requirement is met.

Under the 2019 Policy, Executive Directors will be expected to hold shares (including vested share awards where applicable) equivalent in value to a minimum of two times their salary. Consistent with the current Company's shareholding policy, Executive Directors will be required to retain 50% of after-tax vested share awards until their shareholding requirement is met.

Under the 2019 Policy, Executive Directors will typically be required to hold interests in shares equal to 100% of salary for one-year post-cessation of employment.

Shareholding policy – Non-Executive Directors

Non-Executive Directors are not subject to a minimum shareholding requirement. However, they are encouraged to hold shares in the Company.

Details of shares held in the Company by Non-Executive Directors are shown in the table below.

	Total interests in shares
Non-Executive Director	
Derek Mapp	525,906
Andy Boland	89,496
Nicky Dulieu	–
Pat Billingham	–
Elizabeth McKee Anderson	–
David Lowden[1]	–

1 David Lowden was appointed as a Non-Executive Director with effect from 1 January 2019.

Directors' interests in share awards (audited)

The interests in share awards of the Executive Directors at 31 December 2018 are as set out below.

Scheme	At 1 January 2018	Granted during year	Vested/ Exercised during year	Lapsed during year	At 31 December 2018	Share price at date of award (pence)	Exercise price (pence)	Award exercise period/Vesting date
Paul Taaffe								
Performance Share Plan (PSP)[1]	3,057,324	–	(2,502,258)	(555,066)	**0**	–	–	–
2006 Executive Share Option Scheme	2,000,000	–		–	**2,000,000**	40.13	42.14	April 2018 – April 2025
The Huntsworth Long Term Incentive Plan 2016:								
– award granted in 2016[2]	1,318,681			–	**1,318,681**	45.50	nil	9 June 2019
– award granted in 2017[2]	1,472,392			–	**1,472,392**	40.75	nil	20 March 2020
– award granted in 2018[3]	–	773,195		–	**773,195**	77.6	nil	6 March 2021
The Huntsworth 2016 Deferred Share Bonus Plan (2016 DSBP Scheme):								
– award granted in 2018[4]	–	144,845		–	**144,845**	77.6	nil	6 March 2020
Total Paul Taaffe	**7,848,397**	**918,040**	**(2,502,258)**	**(555,066)**	**5,709,113**			

1 Paul Taaffe was granted the award as a Performance Share Unit Award (i.e. a conditional share award), which vested on 1 October 2018. The award vested at 82% of maximum (details on page 52). Paul Taaffe voluntarily agreed that a one-year holding period would apply to this award. Following vesting of the award, he sold sufficient shares to cover his tax and social security liabilities, dealing costs, and related charges with the remaining balance i.e. 1,258,813 shares, being retained.
2 Paul Taaffe was granted these awards as Conditional Share Awards. Paul Taaffe has voluntarily agreed that a one-year holding period would apply to these awards.
3 Paul Taaffe was granted the award as a Conditional Share Award. A two-year holding period applies to this award.
4 Under the terms of the 2017 Annual Bonus, half of any amount payable in excess of Paul Taaffe's GBP£ denominated salary of £600,000, is subject to deferral under the 2016 DSBP Scheme. However, whilst not included within the initial terms and conditions, Paul Taaffe voluntarily agreed to increase this and has deferred 100% of the bonus payment in excess of 100% of salary. Accordingly, an award was made under the 2016 DSBP Scheme equivalent in value to £112,400, in respect of 144,845 shares (£112,400 at a share price of 77.6 pence). The Remuneration Committee determined that this award would also attract dividend shares with a market value equal to the dividends which would have been received on the award as if they had been owned before vesting (i.e. additional shares will be given to Paul Taaffe based on the market value of dividends paid between the period between 6 March 2018 and 5 March 2020).

Scheme	At 1 January 2018	Granted during year	Vested/ Exercised during year	Lapsed during year	At 31 December 2018	Share price at date of award (pence)	Exercise price (pence)	Award exercise period
Neil Jones								
Performance Share Plan (PSP)[1]	848,484		–	–	**848,484**	41.25	nil	March 2019 – March 2026
2006 Executive Share Option Scheme	501,853		–	–	**501,853**	41.75	43.84	March 2019 – March 2026
The Huntsworth Long Term Incentive Plan 2016								
– award granted in 2017[1]	858,895	–	–	–	**858,895**	40.75	nil	March 2020 – March 2027
– award granted in 2018[2]	–	463,917	–	–	**463,917**	77.6	nil	March 2021 – March 2028
The Huntsworth 2016 Deferred Share Bonus Plan (2016 DSBP Scheme):								
– award granted in 2018[3]	–	84,407	–	–	**84,407**	77.6	nil	6 March 2020
Total Neil Jones	**2,209,232**	**548,324**	**–**	**–**	**2,757,556**			

1 Neil Jones has voluntarily agreed that a one-year holding period would apply to this award.
2 A two-year holding period applies to this award.
3 Under the terms of the 2017 Annual Bonus, half of any amount payable in excess of Neil Jones's salary of £360,000, is subject to deferral under the 2016 DSBP Scheme. However, whilst not included within the initial terms and conditions, Neil Jones voluntarily agreed to increase this and has deferred 100% of the bonus payment in excess of 100% of salary. Accordingly, an award was made under the 2016 DSBP Scheme equivalent in value to £65,500, in respect of 84,407 shares (£65,500 at a share price of 77.6 pence). The Remuneration Committee determined that this award would also attract dividend shares with a market value equal to the dividends which would have been received on the award as if they had been owned before vesting (i.e. additional shares will be given to Neil Jones based on the market value of dividends paid between the period between 6 March 2018 and 5 March 2020).

Report of the Directors on Remuneration continued

Annual Remuneration Report continued

Performance conditions

2018
Performance conditions for the awards under the 2016 LTIP Scheme made to Paul Taaffe and Neil Jones in 2018 are disclosed on page 53.

2017
Performance conditions for the awards under the 2016 LTIP Scheme made to Paul Taaffe and Neil Jones in 2017 are described in the Company's 2017 Annual Report and Accounts on page 53.

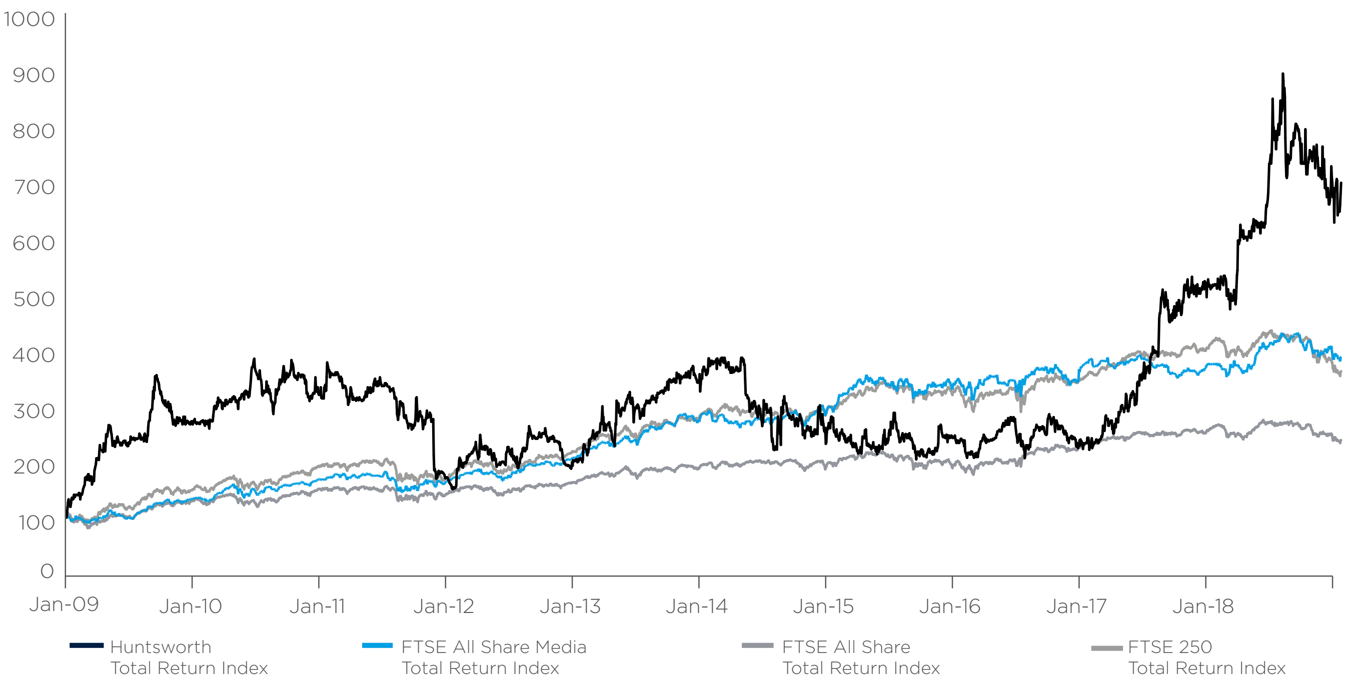
2016
The original performance conditions for the award of 1,318,681 shares made under the 2016 LTIP Scheme to Paul Taaffe in 2016, are described in the Company's 2016 Annual Reports and Accounts on page 45.

The original performance conditions for the award of 848,484 shares made under the PSP Scheme and the award of 501,853 shares (with an option price of 43.84p) under the 2006 ESOS Scheme to Neil Jones in 2016, are described in the Company's 2016 Annual Report and Accounts on page 45.

The outcomes in respect of the awards granted in 2016 can be found on pages 52 and 53.

Comparison of overall performance and pay

Total Shareholder Return
The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE All Share Index, the FTSE All Share Media Index and the FTSE 250 also measured on a daily basis by TSR. The FTSE All Share Index, FTSE All Share Media Index and the FTSE 250 were selected as they represent broad equity market indices.



The market price of Huntsworth shares at 31 December 2018 was 108 pence and the range during 2018 was 74.6 pence to 139.0 pence.

Total CEO remuneration

The table below sets out the total remuneration delivered to the CEO over the last 10 years, valued using the methodology applied to the single total figure of remuneration together with incentive pay-outs (with the vesting level achieved expressed as a percentage of the maximum opportunity).

£000	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total remuneration	673	1,036	729	1,224	1,033	724	645	869	5,053[1,2]	2,714[2]
Annual bonus payment level achieved (% maximum opportunity)	0%	0%	0%	40%	41%	0%	0%	24%	79%	60%
LTIP vesting level achieved (% maximum opportunity)	0%	100%	100%	58%	0%	NA	NA	NA	89%[1]	100%

1 This includes the 2015 replacement award under the 2006 ESOS Scheme, which was made by way of compensation for the loss of awards from Paul Taaffe's previous employment.
2 Up to 31 December 2018, the Company's share price has increased by 141% since Paul Taaffe joined the Company on 7 April 2015.

Of total remuneration for 2018 of £2,713,944, £1,444,780 relates to achieving performance targets attaching to long-term incentive plans which has been calculated based on the three-month average share price to 31 December 2018, and includes an amount of £844,780 relating to share price growth over the vesting period.

Of total remuneration for 2017 of £5,053,703, £3,589,431 relates to achieving performance targets attaching to long-term incentive plans, being the 2015 PSP Award and his award under the 2006 ESOS Scheme. This figure has been restated to reflect the actual TSR performance outcome for the 2015 PSP Award on 10 May 2018 and the actual share price on 10 May 2018 and 20 April 2018 respectively, being the third anniversary of each date of grant. There was no change from the estimated outcome of the TSR element as stated in the 2017 Director's Remuneration Report. Of the total £3,589,431, £2,580,771 (split £1,463,571 for the 2015 PSP Award and £1,117,200 for his award under the 2006 ESOS Scheme), relates to share price growth to the third anniversary of the date of grant.

Percentage change in CEO's remuneration

The following table sets out the percentage change in the salary, taxable benefits and bonus paid to the CEO from 2017 to 2018 compared with the average percentage change for the Group's employees. The reduction in salary and bonus paid to the average Group employee from 2017 to 2018, is predominantly due to the different pay structures within the 2018 Acquisitions and a reduction in bonuses payable within the Marketing Division.

£000	**2018**	2017	Change %
CEO			
Salary	**699**	727	(4)%[1]
Benefits	**28**	24	17%
Bonus	**542**	712	(24)%
Total	**1,269**	1463	(13)%
Average Group employee			
Salary	**59**	63	(6)%
Benefits	**5**	5	–
Bonus	**2**	4	(50)%
Total	**66**	72	(8)%

1 Paul Taaffe's salary is denominated and paid in US Dollars. His US Dollar salary for 2018 was $936,000, which has applied since 1 October 2016. The percentage change represents an exchange rate difference when converting Paul Taaffe's salary from USD$ to GBP£.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in 2018 and 2017 compared with other disbursements from profit.

£000	**2018**	2017	Change %
Profit distributed by way of dividend	**7,069**	5,878	20%
Overall spend on pay (including Directors)	**132,211**	120,765	9%

There were no other significant distributions and payments that assist in understanding the relative importance of spend on pay.

Report of the Directors on Remuneration continued

Annual Remuneration Report continued

Implementation of remuneration policy in 2019

Executive Directors
Implementation for 2019 will be in line with our 2019 Policy, subject to shareholder approval at the 2019 AGM.

Salary
The Committee reviewed Executive Director salaries and it was determined that Paul Taaffe and Neil Jones would each receive an increase in their respective salaries equivalent to 3%, with effect from 1 January 2019, which is in line with the average increases awarded to all-employees.

The annualised salaries for 2019 and 2018 are set out below:

Executive Director	2019 USD$000	2018 USD$000	Change
Paul Taaffe	**964**	936	3%[1]

1. Paul Taaffe's salary is denominated and paid in US Dollars. For all other payment arrangements, including any annual bonus payment or LTIP awards, Paul Taaffe's awards will be determined based on his GBP£ base salary figure of £618,000, an increase of 3% from £600,000.

Executive Director	2019 £000	2018 £000	Change
Neil Jones	371	360	3%

Annual Bonus performance targets
The maximum annual bonus opportunity for 2019 has decreased to up to 120% of salary (from 150% of salary in prior years). For Paul Taaffe the bonus is based on his increased 2019 GBP£ denominated base salary of £618,000, and for Neil Jones this will be based on his increased 2019 salary of £370,800.

Awards will be based on achieving specific HPBT and organic revenue performance targets.

The Committee is of the opinion that given commercial sensitivity, disclosing precise HPBT and organic revenue targets for the annual bonus in advance would not be in the interests of shareholders or the Company. Actual targets, performance achieved, and awards made will be disclosed after the end of the performance period so shareholders can fully assess the basis for any pay-outs.

In line with our 2019 Policy, 30% of any annual bonus payable will be deferred for a period of two years under the 2016 DSBP Scheme.

Awards will be subject to malus and clawback provisions.

Long-term incentive plan targets
The normal award level under the 2019 Policy is up to 150% of salary (from 100% of salary in prior years).

The awards to be made under the 2016 LTIP Scheme to Paul Taaffe and Neil Jones in 2019 will be based on the following measures:

	Weighting	Threshold vesting[1] (25% of maximum)	Maximum vesting[1] (100% of maximum)
Cumulative HEPS – for the three years ending 31 December 2021	50%	26.3p	30.0p
Cash conversion – average across the three-year performance period	30%	88%	98%
ROIC – average across the three-year performance period	20%	13.5%	14.0%

1. Straight-line vesting between threshold and maximum, with no vesting for performance below threshold.

The HEPS target is based on achieving stretching criteria that grow the core business and deliver accretive M&A activity. The cumulative HEPS required for maximum vesting (30.0 pence) is approximately 32% higher than the cumulative HEPS required for maximum vesting in respect of the 2018 awards (being 22.8 pence), illustrating the stretching nature of the targets.

With the Company's pre-tax weighted average cost of capital (WACC) for 2018 at 12.1%, the Committee is looking to ensure the business achieves iterative improvement in ROIC which will form a base line of tolerance for any new acquisitions. ROIC as at 31 December 2018 was 13.4%.

In addition to the above conditions, the awards also include conditions to accommodate M&A activity within acceptable gearing levels.

The 2019 share awards will include a two-year holding period after the end of the three-year performance period.

Awards will be subject to malus and clawback provisions.

Non-Executive Directors

The Non-Executive Directors did not receive a fee increase for 2019. The intention is that the increase in fees payable to the Non-Executive Directors and Chairman from 1 January 2018 would be fixed for two to three years (minimum two years). Non-Executive Directors are paid a base fee with an additional fee payable for chairing a Committee. No additional fee is payable to the Company Chairman where he also chairs the Nomination Committee. An additional fee is payable for performing the Senior Independent Director role.

David Lowden was appointed as a Non-Executive Director with effect from 1 January 2019. He will assume the role of the Chairman of the Board and Nomination Committee from 6 March 2019. The fee payable to David Lowden is considered appropriate given the scope of the role, the expected time commitment and the fees that might otherwise be commanded in the wider marketplace for a similar commitment, and the Board's determination that he is the right individual to lead the Board through the next phase of its strategic development.

£000	**Fee 2019**	Fee 2018
Independent NED base fee	**43**	43
Audit Committee Chairman	**7**	7
Remuneration Committee Chairman	**7**	7
Nomination Committee Chairman	**–**	–
Senior Independent Director	**5**	5

The following table sets out the expected annual fees payable to the Company's Non-Executive Directors for 2019:

£000	**2019**
Derek Mapp[1]	**25**
Andy Boland	**48**
Nicky Dulieu	**50**
Pat Billingham	**50**
Elizabeth McKee Anderson[2]	**45**
David Lowden	**175**

1 Derek Mapp will step down as Chairman from the Board and Nomination Committee on 6 March 2019 and on the same day will resign as a Director of the Company. The fee of £24,932 is the fee payable up until 6 March 2019.

2 With effect from 1 January 2019, Elizabeth McKee Anderson's fees are to be converted into US$ at the exchange rate prevailing on the date that her Letter of Appointment was signed, which was on 18 December 2017. The exchange rate on 18 December 2017 was 1.339699. Hence the annual fees commencing 1 January 2019 will be US$57,607.06.

Advisors to the Remuneration Committee

During 2018, the Committee engaged the services of Deloitte LLP as independent Remuneration Committee advisors.

Deloitte LLP were retained as advisors to the Remuneration Committee and provided advice to the Committee on executive and long-term incentive remuneration. Deloitte LLP also provided certain other tax advisory services to the Group during the year. The nature of these services was not considered to conflict with their role as external adviser to the Committee. Total fees payable to Deloitte in 2018 for Remuneration Committee matters were £54,282 and were based partially on a retainer and partially on a time and materials basis.

Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Group's Code of Conduct when providing advice on executive remuneration in the UK.

Shareholder voting

At the 2018 AGM, the following votes were cast in respect of the 2017 Annual Remuneration Report (advisory vote):

	2017 Annual Remuneration Report	
	Number of Votes	% of votes cast
For & Discretionary	250,025,013	97.49
Against	6,443,122	2.51
Withheld	4,349	0.0

The voting outcome for the remuneration policy approved by shareholders at the 2016 AGM, is shown below (binding vote).

	2016 Remuneration Policy	
	Number of Votes	% of votes cast
For & Discretionary	254,893,932	99.0
Against	2,578,757	1.0
Withheld	6,026	0.0

Report of the Directors on Remuneration continued

2019 Directors' Remuneration Policy (2019 Policy)

Introduction

In this section of the Report of the Directors on Remuneration we provide details of the Company's new remuneration policy for Directors that will govern the Company's future remuneration payments (the **2019 Policy**). The 2019 Policy is being introduced in order to implement the changes described in the Chair of the Committee's statement above and in response to the changes under The UK Corporate Governance Code effective from 1 January 2019 (the **New Code**).

Subject to approval by shareholders, the policy is intended to apply for three years with effect from the close of the 2019 AGM, although in practice is intended to apply from 1 January 2019.

The Remuneration Committee has established the policy on the remuneration of the Executive Directors and the Chairman, whereas the Board has established the policy on the remuneration of the Non-Executive Directors.

The policy is designed around the following key principles:
- providing a strong link between reward and the performance of both the individual and the Company in order to align the interests of Executive Directors with those of shareholders;
- maintaining a competitive package against comparable businesses, both in terms of size and sector, with reference to the breadth of the role and experience the role holder brings to the Company;
- encouraging a personal stake in the business and a long-term focus on sustained growth through long-term shareholding;
- providing a balanced remuneration package;
- ensuring compliance with the latest standards of best practice, including The UK Corporate Governance Code effective from 1 January 2019; and
- taking into account the associated risks of each aspect of remuneration.

Changes to the 2019 Policy from current policy

The following key changes from the Remuneration Policy approved by shareholders in 2016, are reflected in the 2019 Policy:
- Increases in salary for Executive Directors ordinarily to be limited to the average rate of increase awarded to the wider workforce;
- Reduction in potential for AIP;
- Enhanced deferral requirements for the AIP;
- Increase in long-term incentive opportunity;
- Formalisation of the long-term incentive holding period;
- Reduction in pension provision;
- Increased Executive Director shareholding guidelines;
- Introduction of a post-employment shareholding policy; and
- Reference to the proposed new performance measures for The Huntsworth Long Term Incentive Plan 2016 (**2016 LTIP Scheme**).

Shareholders will be asked to vote on this policy at the 2019 AGM on 9 May 2019.

Remuneration structure (Policy Table)

Policy for Executive Directors

The table below sets out the key elements of the Company's remuneration policy for the Executive Directors:

Remuneration Element	Base Salary
Objective and link to strategy	To provide a market competitive base salary which recognises individual contribution, changes in responsibilities and attracts and retains talent in the labour market in which the Executive Director is employed.
Operation	Base salary is normally set annually with any changes effective from 1 January. When determining the salary of the Executive Directors the Committee takes into consideration: • the level of base salary for similar positions with comparable status, responsibility and skills, in comparable organisations of broadly similar size and complexity; • the individual Executive Director's experience and responsibilities; and • pay and conditions throughout the Group.
Opportunity	Whilst the Committee has not set a monetary maximum on salary, any base salary increases will ordinarily be no greater than the average increase (in percentage terms) awarded to the wider workforce. Increases in excess of this may be awarded in appropriate circumstances including, but not limited to, in the event of an increase in the scope or responsibilities of the role, a change in the size and complexity of the Group and/or significant market movement The 2019 annual salaries for the Executive Directors are set out in the statement of implementation of remuneration policy on page 58.
Performance conditions and assessment	N/A

Remuneration Element	Annual bonus
Objective and link to strategy	Aligns reward to strategy by ensuring the annual performance targets which are set for the financial year are aligned with the Company's key performance indicators (**KPIs**). As such, the annual bonus targets are primarily based on key objectives relating to the Group's financial performance.
Operation	The annual bonus is reviewed annually at the start of the financial year to ensure bonus opportunity, performance measures and weightings support the Company's strategy. The performance period for the annual bonus targets is normally linked to the Company's financial year. At least 30% of any annual incentive payable will be typically deferred for a period of two years under the Huntsworth 2016 Deferred Share Bonus Plan (**2016 DSBP Scheme**). Where any element of the annual bonus is deferred, it will be deferred into a conditional award of, or nil-cost option over, Huntsworth shares. These shares will not be subject to any further performance conditions but are conditional on the individual's continued employment with the Group, will remain subject to malus and clawback provisions, and will normally vest at the end of the deferral period. For further details on malus and clawback provisions, please refer to the section on malus and clawback on pages 62 and 63.
Opportunity	Maximum bonus potential level: up to 120% of salary. Threshold bonus potential: 0% of salary.
Performance conditions and assessment	Each year the Committee determines the bonus measures and, if relevant, weightings. Measures will predominantly be based on financial performance but up to 20% may be based on individual or other strategic objectives. The precise nature and, if relevant, weighting of measures will depend on the strategic focus of the Company in any given year. Further details on the measures for 2019 are set out in the statement of implementation of remuneration policy on page 58.

Remuneration Element	The Huntsworth 2016 Long Term Incentive Plan (2016 LTIP Scheme)
Objective and link to strategy	Rewards and retains executives, aligning them with shareholder interests over a longer time frame. Ensures an alignment between the operation of the Company's remuneration policy and the Company's objectives of achieving strong longer-term performance.
Operation	Participants are eligible to receive a conditional allocation of shares or nil cost options subject to performance conditions set by the Committee. The Committee reviews the quantum of awards annually. Awards normally vest following the end of the performance period, although may vest early on leaving employment or on a change of control (see pages 70 and 71). A two-year holding period will apply to these awards after the end of the relevant performance period, other than as regards shares disposed of to satisfy tax liabilities arising in connection with vesting or exercise. Awards under the 2016 LTIP Scheme will be subject to malus and clawback provisions. For further details, please refer to the section on malus and clawback on pages 62 and 63.
Opportunity	Maximum awards under the 2016 LTIP Scheme in respect of any one year of 200% of salary. Normal awards will be up to 150% of salary in respect of any one year. Awards in excess of 150% will be made in exceptional circumstances only, at the discretion of the Committee. Threshold vesting level: 25% of maximum opportunity.

Report of the Directors on Remuneration continued

2019 Directors' Remuneration Policy (2019 Policy) continued

Remuneration Element	The Huntsworth 2016 Long Term Incentive Plan (2016 LTIP Scheme)
Performance conditions and assessment	Performance will be measured over at least a three-year period. Performance for awards will typically be based on financial measures (which may include but are not limited to earnings per share (**EPS**), Cash Conversion and Return on Invested Capital (**ROIC**)). Further details on the measures for 2019 are set out in the statement of implementation of remuneration policy on page 58.

Remuneration Element	Pension
Objective and link to strategy	To provide a competitive retirement benefit and ensure that Executive Directors' total remuneration remains competitive.
Operation	Executive Directors may receive a contribution to their personal pension plan. Executive Directors may elect for some or all of the contribution to be paid as a cash equivalent. Any cash equivalent would not be treated as salary for the purposes of determining bonus or incentive awards.
Opportunity	Pension contributions and/or cash equivalents for Executive Directors will be at a level which is no greater (in percentage terms) than average contributions for the wider workforce.
Performance conditions and assessment	N/A

Remuneration Element	Other benefits
Objective and link to strategy	To provide competitive employment benefits and support individuals in carrying out their roles.
Operation	The level of benefits provided is reviewed regularly to ensure they remain market competitive. Benefits may include: • car or car-related allowance or benefits; • private health insurance for the Executive Director and his family; • life and travel insurance; • permanent health insurance; and • assistance with the administrative burden of tax compliance arising from the directorship. Additional benefits may be provided based on individual circumstances. Where an Executive Director has to be relocated, the Company may provide compensation to reflect this cost of relocation in line with the policy as set out for new recruits on pages 66 to 67. The level of relocation benefit will be assessed on a case-by-case basis.
Opportunity	Although no changes are expected to the current benefits provided to the Executive Directors as disclosed above, benefit values will vary year-on-year depending on the cost of insurance or method of providing the benefits. Accordingly, no maximum monetary value of benefits has been set.
Performance conditions and assessment	N/A

Notes to the Future Policy table for Executive Directors

Measurement of performance targets

The Committee has the ability to override formulaic outcomes in relation to the number of shares which may vest under an individual's award under the 2016 LTIP Scheme and the extent to which any annual bonus may be earned.

Malus and clawback

In respect of future awards granted under the annual bonus, 2016 DSBP Scheme and 2016 LTIP Scheme, in accordance with the New Code and in line with best practice, the Committee has discretion to apply recovery provisions.
Malus and clawback provisions may be applied in the event of gross misconduct by the participant, a material misstatement of the Company's published accounts between grant and release (in the case of awards under the 2016 LTIP Scheme) or in respect of the bonus year (for annual bonus and awards under the 2016 DSBP Scheme), or a material breach of a law or regulation which resulted in significant reputational damage or harm to the Company during the same period. If the provisions are applied, the Committee may:

- in respect of a bonus, or an award under the 2016 DSBP Scheme or 2016 LTIP Scheme which has yet to be paid or to vest or to be exercised, in its absolute discretion, reduce or cancel the award;
- In respect of a bonus or an award under the 2016 DSBP Scheme or 2016 LTIP Scheme which has been paid or has vested, in its absolute discretion, claw-back the award (either in part or in full). This provision may be invoked for up to two years following payment of a bonus, two years following the original vesting date of a deferred bonus, or two years following the original release date of an LTIP award.

If the Committee decides that a clawback circumstance has arisen, the Committee may decide that, in its absolute discretion, rather than clawing back a paid bonus or vested share award, it could instead make a reduction of an equivalent amount to (i) any unvested share awards the individual may have under any share scheme operated by Huntsworth, and/or (ii) any future bonus payment which would otherwise be payable, and/or (iii) any salary payments or other remuneration which are due or would otherwise have been payable.

Minor amendments and waiver

An Executive Director may at any time waive any element of remuneration. Minor and administrative amendments may be made to the policy where, in the opinion of the Committee, it would be disproportionate to seek prior shareholder approval, in which case full disclosure will be made in the subsequent Annual Report on Remuneration.

Dividend equivalents

Awards under the 2016 LTIP Scheme and 2016 DSBP Scheme may incorporate the right to receive (in cash or shares) the value of dividends which would have been paid on the shares that vest between the date of grant and the date of vesting (or in the case of awards under the 2016 LTIP Scheme that are subject to a holding period, the date of release). When calculating the relevant dividend amounts, the Committee may assume that the dividends were reinvested in the Company's shares on a cumulative basis.

Award adjustment

Awards granted under the Company's share plans may, at the discretion of the Committee, be settled in cash. They may also be adjusted in any manner considered appropriate by the Committee in the event of a variation of the Company's share capital or such other circumstances as the Committee considers appropriate.

Performance conditions applicable to 2016 LTIP Scheme awards may be amended if an event or series of events occurs as a result of which the Committee considers it fair and reasonable to make the change to take account of, amongst other matters, legal changes or to get or keep favourable tax, exchange control or regulatory treatment for the award, or unbudgeted 'in period' acquisitions provided that the amended conditions are not materially easier than the original conditions.

Variable remuneration opportunities

In line with the current practice for Paul Taaffe and as disclosed in relation to Paul Taaffe in the Annual Remuneration Report, if an Executive Director is paid their salary in a currency other than UK pounds Sterling, their variable remuneration opportunities may be determined by reference to a notional UK pounds Sterling salary. The notional UK pounds Sterling salary will be determined by reference to an exchange rate selected by the Committee and may be increased by the Committee to reflect increases to the Executive Director's actual salary in their applicable currency.

Comparison of Remuneration policy for other employees and Executive Directors

All employees of Huntsworth are entitled to base salary and benefits at levels commensurate with their role and local market practice.

Certain employees are eligible to receive an annual bonus based on key performance indicators measured at Group, divisional or local business level, alongside performance against personal objectives. The maximum opportunity available is based on the seniority and responsibility of the role.

Long-term incentive awards will be available to senior executives and selected employees throughout the organisation through the 2016 LTIP Scheme.

Typically the more senior the employee, the greater the proportion of their pay is based on performance. Executive Directors receive remuneration packages which reflect their role and responsibilities and consequently they are amongst the highest paid in the Group.

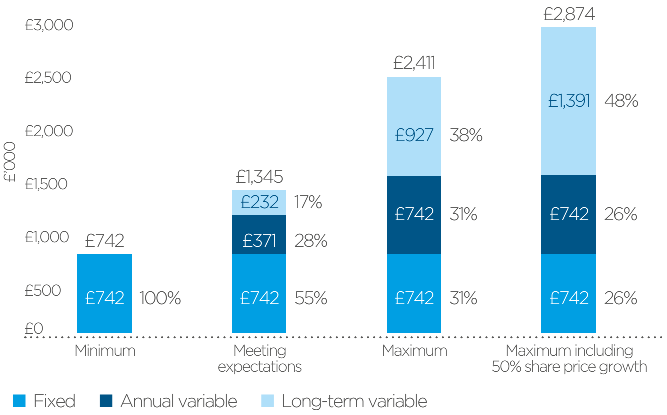
Remuneration scenario charts for Executive Directors

The chart below illustrates the remuneration that would be paid to each of the Executive Directors in 2019, based on the above policy, under four different performance scenarios: (i) Minimum; (ii) Meeting expectations; (iii) Maximum and (iv) Maximum including 50% share price growth.

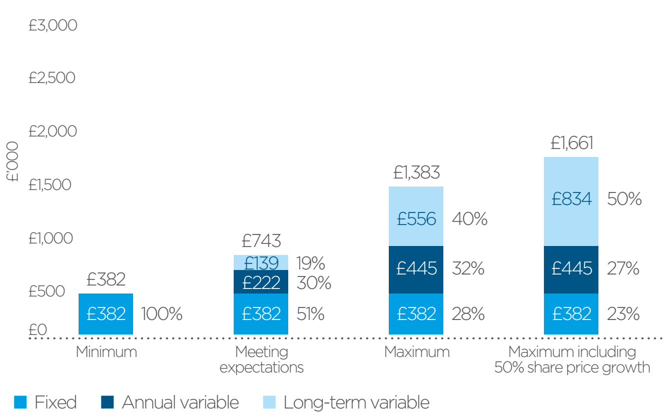
The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable; and (iii) Long-term variable, which are set out in the future policy table above.

Report of the Directors on Remuneration continued
2019 Directors' Remuneration Policy (2019 Policy) continued

Paul Taaffe



Neil Jones



Fixed:
Fixed elements do not vary with performance and comprise:
- Base salary; and
- Benefits.

The charts are based on salaries for 2019. For Paul Taaffe, this represents a salary of $964k i.e. equivalent to £714k at the 2019 Budget exchange rate of 1.35. However, for the calculation of his bonus and LTIP awards, a salary of £618k has been used.

Annual variable:
This comprises the Annual Bonus and is calculated as follows:

Minimum	Meeting expectations	Maximum
0%	60% salary	120% salary

Long-term variable:
This comprises awards under the 2016 LTIP Scheme and is calculated as follows:

Minimum	Meeting expectations	Maximum	Maximum including 50% share price growth
0%	37.5% salary	150% salary	225% of salary

Policy for Non-Executive Directors
The table below sets out the remuneration policy for Non-Executive Directors ('**NEDs**'):

Remuneration Element	Fees
Objective and link to strategy	To attract individuals of a suitable calibre for the Company and to pay fees which are reflective of responsibilities, competitive with peer companies.
Operation	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is determined by the Committee and recommended to the Board. Typically: • NEDs are paid a base fee with an additional fee payable for chairing a Committee; • no additional fee is payable to the Company Chairman where he also chairs the Nomination Committee; and • an additional fee is payable for the Senior Independent Director role. Fees may also be paid for additional time spent on the Company's business outside of the normal duties. In some circumstances no fees will be paid. Fee levels reflect market conditions and are sufficient to attract individuals with appropriate knowledge and experience.

Remuneration Element	Fees
Maximum potential value	Current fees are set out in the statement of implementation of remuneration policy on page 59. Fee increases are determined by reference to individual responsibilities, inflation and an appropriate comparator group. The total aggregate fees which can be paid to the Chairman and other NEDs in any given financial year may not exceed the amount stated in the Company's Articles of Association. In the event that this limit set out in the Articles of Association is amended by way of ordinary resolution of the Company's shareholders, this amended limit will supplant the current limit within this policy as well.
Performance conditions and assessment	N/A

Remuneration Element	Benefits
Objective and link to strategy	To facilitate the NEDs performance of his or her role.
Operation	The Company pays travel and accommodation expenses in respect of attendance at Board meetings by NEDs, which may in some circumstances be taxed as benefits in kind. Additionally, the Company may provide office facilities for NEDs which are not restricted to use in respect of the Company's business.
Maximum potential value	Expense benefit values, if any, will vary year-on-year depending on the frequency and location of meetings. The value of any other benefits is considered to be minimal. No maximum level of benefits has therefore been set.
Performance conditions and assessment	N/A

Notes to the Future policy tables for all Directors

Shareholding policy

To ensure that Executive Directors' interests are aligned with those of shareholders over the long term, all Executive Directors are expected to hold shares (including vested share awards where applicable) equivalent in value to a minimum of two times their salary. Executive Directors will be required to retain 50% of all after-tax vested share awards until their shareholding requirement is met. Shares subject to DSBP awards, and shares subject to LTIP awards which are exercisable but unexercised count towards the shareholding on a net of assumed tax basis.

Non-Executive Directors are not subject to a minimum shareholding requirement. However, they are encouraged to hold shares in the Company.

Post-employment shareholding policy

For one year post-cessation of employment, Executive Directors will typically be required to hold interests in shares with a value (at cessation) equal to 100% of salary or, if less, all of the shares they have an interest in at cessation. Shares subject to DSBP awards, and shares subject to LTIP awards which are exercisable but unexercised count towards the shareholding on a net of assumed tax basis.

Service agreements

Huntsworth's policy is to have Executive Directors' service contracts of no fixed term and with notice periods of no more than one year and for those contracts to contain contractual termination payments in certain circumstances as set out in the table below. Executive Directors are subject to re-election at each Annual General Meeting. The Non-Executive Directors have letters of appointment which provide for an initial period of appointment of three years, subject to election at the Annual General Meeting following their appointment, and re-election at each subsequent Annual General Meeting.

The following table sets out the dates of each Director's service agreement or letter of appointment:

Executive	Date of contract	Notice period
Paul Taaffe	19 December 2014	1 year
Neil Jones	15 October 2015	1 year
Non-Executive[1]	**Date of original letter**	
Andy Boland	3 October 2014	3 months
Nicky Dulieu	19 December 2014	3 months
Pat Billingham	17 November 2015	3 months
Elizabeth McKee Anderson	18 December 2017	3 months
David Lowden	19 December 2018	3 months

1 Derek Mapp will be resigning as a director from the Company on 6 March 2019, and therefore has not been included in the above table.

Report of the Directors on Remuneration continued

2019 Directors' Remuneration Policy (2019 Policy) continued

With specific approval of the Board, Executive Directors may accept external appointments as non-executive directors of other companies and retain any fees paid to them.

Service contracts and letters of appointments are available for inspection at the Company's registered office.

Recruitment arrangements

The table below summarises the Company's key policies with respect to recruitment remuneration:

Remuneration Element	Policy
General	The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract an appropriate candidate to the role. Our principle is that the pay of any new Director would be assessed on the basis of the same policy principles as for the Executive Directors or Non-Executive Directors (as appropriate), unless specific circumstances arise where the Committee deems it appropriate, to secure a desired candidate. The terms of any appointment should also be accompanied by a clear business case. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and is cognisant of guidelines and shareholder sentiment regarding one-off or enhanced short or long-term incentive payments made on recruitment and the appropriateness of any performance conditions associated with an award.
Notice periods	The policy of the Company is to have service contracts for Executive Directors with notice periods of one year.
Base salary or fee and benefits	The salary or fee level will be set taking into account the responsibilities and experience of the individual and the salaries paid for similar roles in comparable companies in line with the current process undertaken by the Committee when reviewing the salary/fee levels for its existing Directors. When an Executive Director is recruited on a below-market standard salary, larger than normal increases may be offered to transition him to a market standard salary in line with his experience in the role. The Director shall be eligible to receive benefits in line with Huntsworth's benefits policy as set out in the remuneration policy table above.
Pension	The Executive Director will be able to receive a pension contribution in line with the Company's pension policy as set out in the remuneration policy table.
Annual bonus and Long-term incentives	The Executive Director will be eligible to participate in the annual bonus arrangements and long-term incentive plans as set out in the remuneration policy table. Therefore, the maximum level of variable remuneration (excluding share buy-outs/replacement awards described below) which can be awarded to a new Executive Director (in line with the policy set out above) in respect of his recruitment is 320% of salary.

Remuneration Element	Policy
Share buy-outs / replacement awards	Awards may be granted to replace those forfeited by the Executive Director on taking up the appointment where considered by the Committee to be appropriate. Such awards may be made in addition to any annual bonus and long-term incentive awards described above. Such awards will normally be made in the form of an award under the 2016 LTIP Scheme. Executive Directors may receive one exceptional award under the 2016 LTIP Scheme, which may not be subject to performance conditions, where the terms of his recruitment provide for him to be granted any award in order to compensate (wholly or partly) for incentives lost at his previous employer. The maximum level of buyout award that may be granted under the plan rules is not restricted. The Committee will seek to structure any replacement awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining quantum and structure of these commitments, the Committee will seek to replicate the fair value and, as far as practicable, the timing and performance requirements of remuneration foregone. The Committee would seek to structure buyout and variable pay awards on recruitment to be in line with the Company's remuneration framework so far as practical, but, if necessary, the Committee may also grant such awards outside of the framework as permitted under Listing Rule 9.4.2 subject to the limits on variable pay set out above. The exact terms of any such awards (e.g. the form of the awards, time frame, performance conditions, and leaver provisions) would vary depending on the specific commercial circumstances.
Relocation policies	In instances where the Executive Director needs to be relocated, the Company may provide one-off or ongoing compensation as part of the Director's relocation benefits to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences, housing allowance, schooling and may include support with tax and other administrative obligations relating to the move.
Internal appointments	Where an internal candidate is appointed to the Board, the individual's existing contractual or award terms and conditions will continue to apply to any elements of remuneration (e.g. long-term incentive awards) made prior to his or her appointment. These will be disclosed to shareholders in the following year's Report of the Directors on Remuneration.

Payment for loss of office

When determining any loss of office payment for a departing individual, the Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time. The Committee retains overriding discretion to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.

Report of the Directors on Remuneration continued

2019 Directors' Remuneration Policy (2019 Policy) continued

Remuneration Element	Approach	Committee discretion
General	The Company's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. It is the Committee's policy not to reward poor performance. The Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time.	Subject to existing contractual commitments, the Committee retains overriding discretion to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.
Base salary or fee and benefits	Salary will be paid over the notice period. Benefits will normally be provided over the notice period. Non-Executive Directors' fees will be paid over the notice period. There is no entitlement to a payment in lieu of notice.	The Committee has discretion to make a payment in lieu of notice of up to 12 months' salary and benefits allowance and accrued but untaken holiday. This may be made in the form of a lump sum payment or in instalments. Subject to contractual provisions, the Company will seek to mitigate any payments due. The Company may provide benefits related to the termination such as outplacement advice, or tax and legal advice. It may additionally pay amounts which, based on legal advice, are required or recommended to be paid in settlement of any actual or potential lost legal rights.
Pension	No additional payments will be made in respect of pension contributions or cash equivalent for loss of office. Company pension contribution/cash equivalents will normally be provided over the notice period. In all cases the Company will seek to mitigate any payments due.	The Committee has discretion to make lump sum payments in lieu of pension contributions/cash equivalents payable over the notice period.

Remuneration Element	Approach	Committee discretion
Annual bonus	Where an Executive Director's employment is terminated after the end of a performance year but before the payment is made, the Executive Director may be eligible for an annual bonus award for that performance year subject to an assessment based on performance achieved over the period. No award will be made in the event of gross misconduct. Where an Executive Director's employment is terminated during a performance year, and if the individual is a good leaver, a pro-rata annual bonus payment for the period worked in that performance year may be payable subject to an assessment based on performance achieved over the period. **Unvested awards under the 2016 DSBP Scheme** Where an Executive Director's employment is terminated when he holds deferred bonus awards under the 2016 DSBP Scheme, and he is determined to be a good leaver for any reason other than due to his death, his awards will normally vest in accordance with the original terms of deferral. Where the Executive Director's employment terminates by reason of death or in such other circumstances as the Committee may determine, any shares so deferred will vest immediately. Where an Executive Director's employment terminates and he is determined by the Committee not to be a good leaver, his awards under the 2016 DSBP Scheme will lapse in full. **Leaver status** Good leavers are those leaving under the following specified conditions: • death; • ill-health, injury or disability; • redundancy; • sale of the employing Company, or the sale of the business for which he or she works, outside of the Group; or • any reason, at the absolute discretion of the Committee. All other leavers are bad leavers.	The Committee has discretion to determine whether an Executive Director is a good leaver for the purposes of the annual bonus arrangements. It is not the Committee's intention to exercise this discretion unless there is a strong business case to do so. Where discretion is exercised, the Committee will provide a full explanation of the basis of the exercise of its discretion to shareholders. Bonuses for good leavers will ordinarily be paid after the end of the relevant year once performance for the year can be assessed, but the Committee has discretion to pay the bonus following termination in appropriate circumstances.

Report of the Directors on Remuneration continued

2019 Directors' Remuneration Policy (2019 Policy) continued

Remuneration Element	Approach	Committee discretion
Long-term incentive	The treatment of unvested long-term incentive awards is governed by the rules of the 2016 LTIP Scheme and 2016 DSBP Scheme. Individuals are defined as either a good or bad leaver for the purposes of unvested incentive awards. Good leavers are those leaving under the following specified conditions: • death; • ill-health, injury or disability; • redundancy; • sale of the individual's employing company, or business outside of the Group; or • any other reason, with the approval of the Committee. All other leavers are bad leavers. If an individual is a bad leaver then unvested share awards will lapse in full. The following table sets out for good leavers examples of the potential application of the Committee's policy in certain circumstances:	

Reason for leaving	Timing of vesting	Calculation of Committee discretion
Resignation	Awards lapse.	N/A
Injury, ill health, disability, redundancy, sale of business or employing company, or other reason at the discretion of the Committee.	Awards will vest based on the performance achieved either up to the date of cessation or to the end of the performance period and pro-rated to reflect the proportion of the performance period served unless the Committee determines otherwise. Awards will normally vest and be released at the usual time, unless the Committee determines that awards should vest and/or be released at some earlier date following the individual's departure.	**Designation as good leaver** Where the specified good leaver circumstances do not apply and there is no contractual obligation to do so (see below), the Committee has discretion to determine whether an Executive Director is a good leaver for the purposes of the 2016 LTIP Scheme, PSP Scheme or 2006 ESOS Scheme. It is not the Committee's intention to exercise this discretion unless there is a strong business case. Where discretion is exercised the Committee will provide a full explanation of the basis of the exercise of its discretion to shareholders. **Vesting under the 2016 LTIP Scheme** The Committee retains discretion to disregard time pro-rating when determining the level of vesting. This would only be considered in exceptional circumstances.
Death	Immediately. Under the 2016 LTIP Scheme, the Committee may choose to apply the good leaver rules described above, or to deem any performance targets to be met in full at the date of death and/or to disapply any time pro-rating.	

Change of Control

Annual bonus

On a change of control of the Company, the Executive Directors will be entitled to receive a bonus payment based on performance level achieved during the performance period up to the change of control and the proportion of the performance period that has elapsed at the relevant date.

Where an Executive Director holds any awards under the 2016 DSBP Scheme, these will usually vest immediately on a change of control. However, the Committee retains absolute discretion to require deferred share awards to be rolled over into equivalent awards in the new entity.

Long-term incentive plans

In accordance with the rules of the 2016 LTIP Scheme, vesting will occur immediately on a change of control or winding up of the Company. Performance against targets will be assessed by the Committee on a change of control. The number of shares vesting under an award will, unless the Committee determines otherwise, be reduced pro rata to reflect the amount of time elapsed at the time of the change of control as a proportion of the original performance period (or vesting period, where no performance condition applies). The Committee retains discretion to disregard performance and/or time when determining the level of vesting having regard to, amongst other things, the underlying performance of the Company. Whether, and the extent to which, any discretion is applied will depend on the circumstances of the change of control. Alternatively, the Committee may choose to convert awards into equivalent awards in the acquiring company.

Payments from existing awards

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Consideration of employment conditions elsewhere in the Company in developing policy

The Company's approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, location and market, salary levels in comparable companies and the Company's ability to pay.

In setting the remuneration policy for Directors, the pay and conditions of other employees of Huntsworth are taken into account, including any base salary increases awarded.

The Company did not consult with employees when drawing up the policy report.

Consideration of shareholder views

The Committee takes the views of shareholders very seriously. The views of major shareholders are considered when evaluating and setting ongoing remuneration strategy and the Committee commits to consulting with major shareholders prior to any significant changes to its remuneration policy.

Directors' Report

The Directors' Report for the year ended 31 December 2018 comprises the Corporate Governance Report on pages 38 to 41 together with any sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have been included in the Strategic Report pages 1 to 33. These specifically include:

- an indication of likely future developments in the business of the Company, pages 12 and 13;
- details of the Group's financial risk management strategy, policies and instruments held are set out in Note 21 to the consolidated financial statements;
- details of the Group's branches are set out in Appendix 2 of the consolidated financial statements;
- details of the Group's going concern assessment; and
- employee matters and carbon emission disclosures set out in the ESG Report on pages 30 to 33.

Dividends

The Directors recommend a final dividend of 1.6 pence per share for the year ended 31 December 2018. An interim dividend of 0.7 pence per share was paid on 6 November 2018, making a total for ordinary dividends of 2.3 pence per share for the year (2017: 2.0 pence per share). The record date for the final dividend will be 24 May 2019 and it is payable on 4 July 2019. A scrip dividend alternative will be available.

Directors

The Directors that served during the year ended 31 December 2018 and as at the date of this report, are set out below:

Name	Appointment
Derek Mapp	Chairman and Chairman of the Nomination Committee
Pat Billingham	Independent Non-Executive Director and Chair of the Audit Committee
Andy Boland	Independent Non-Executive Director and Senior Independent Director
Nicky Dulieu	Independent Non-Executive Director and Chair of the Remuneration Committee
Elizabeth McKee Anderson	Independent Non-Executive Director
Neil Jones	Chief Financial Officer
Paul Taaffe	Chief Executive Officer
David Lowden	Independent Non-Executive Director (appointed 1 January 2019)

Biographical details of the Directors in office at the date of this report are set out on pages 34 and 35.

The interests of the Directors in office at 31 December 2018 in the shares of the Company and its subsidiary undertakings, together with their remuneration, are set out in the Report of the Directors on Remuneration (**Remuneration Report**) on pages 47 to 71.

In accordance with the Company's Articles of Association and the UK Corporate Governance Code, all Directors are subject to reappointment by shareholders at the first Annual General Meeting (**AGM**) after their appointment and annually thereafter. Hence at each AGM every Director shall retire from office and each Director wishing to serve again shall submit himself or herself for reappointment.

Except as disclosed in the Remuneration Report, none of the Directors were materially interested during the period in any contract which was significant in relation to the business of the Company.

Substantial shareholdings

In accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, as at 31 December 2018, the Company had been notified of the following interests in the Company's ordinary share capital:

Holder	% of share capital[1]	Number of shares	Nature of holding
Aberforth Partners LLP	11.96%	39,484,715	Indirect
Canaccord Genuity Group Inc.	10.9918%	38,422,775	Indirect
FIL Limited	9.13%	30,242,555	Indirect
Merian Global Investors (UK) Limited[2]	9.04%	29,703,036	8.96% Indirect; 0.08% Financial Instruments
Aviva plc & its subsidiaries	7.88%	27,400,775	7.08% Direct; 0.80% Indirect
Kabouter Management LLC	6.027%	21,066,492	Direct
Kames Capital Plc	5.97%	20,887,059	1.98% Direct; 3.99% Indirect
Michinoko Limited	5.0%	16,500,000	Direct
Miton Group plc	3.57%	11,813,720	Indirect

1 Percentages are based on date of notification as opposed to current issued share capital figure.
2 Formerly known as Old Mutual Global Investors (UK) Limited.

The above table is based on notifications made to the Company under Chapter 5 of the Disclosure Guidance and Transparency Rules (DTR 5). Under DTR 5, fund managers are obliged to notify the Company when their percentage of voting rights in the Company reaches (or falls below) a threshold of 5%, 10% and each 1% increase (or decrease) thereafter. Other shareholders are obliged to notify the Company when their percentage of voting rights in the Company reaches (or falls below) a threshold of 3% and each 1% increase (or decrease) thereafter.

During the period from 31 December 2018 to 4 March 2019 the following notifications were received:

Holder	% of share capital[1]	Number of shares	Nature of holding
Canaccord Genuity Group Inc	9.5150%	33,260,275	Indirect
Aviva plc & its subsidiaries	8.85%	21,707,180	8.03% Direct; 0.82% Indirect
Kames Capital Plc	6.21%	21,707,180	2.35% Direct; 3.86% Indirect
Kabouter Management LLC	6.01%	21,008,744	Direct

1 Percentages are based on date of notification as opposed to current issued share capital figure.

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries.

Shares

As at 31 December 2018, the Company's issued share capital comprised 349,557,070 ordinary shares of 1p each; and 212,012,343 deferred shares of 49p each.

Changes in the Company's share capital during the year are given in Note 23 to the consolidated financial statements. Details of the Company's employee share schemes are set out in the Remuneration Report.

Purchase of own shares

At the Annual General Meeting in 2018 the Directors were granted the authority to purchase up to 10% of the Company's ordinary shares (either for cancellation or for placing into treasury) to support the Group's capital management policies. Further details of the Group's capital management policies are included in Note 21 to the Consolidated Financial Statements. The authority granted amounted to 33,017,000 ordinary shares. The Company may either retain shares purchased under this authority as treasury shares with a possible view to reissue such shares at a future date, or cancel them. This authority expires on the conclusion of the next AGM (or, if earlier, at the close of business on 23 August 2019). No ordinary shares were purchased during the year or up to the date of this report.

During the year ended 31 December 2018, 1,686,681 ordinary shares of 1p each held as treasury shares were transferred at nil cost to the Huntsworth Employee Benefit Trust to be used for satisfying awards under the Company's employee share schemes. There are nil ordinary shares held in treasury as at 31 December 2018 and at the date of this report.

Employment policies

The Group operates internationally and therefore has developed employment policies that meet local conditions and requirements. Further details of these policies including policies in relation to diversity, disabled persons and employee involvement, can be found in the ESG Report on pages 30 to 33.

Political donations

The Companies Act 2006 (the **Companies Act**) and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the **Regulations**) require disclosure of any political donation made to or political expenditure incurred in relation to any political party or other political organisation or any independent election candidate if such donation(s) or expenditure incurred in a year exceeds £2,000. Political parties, political organisations, political donation and political expenditure are all defined in the Companies Act.

As part of their normal work on behalf of clients and as part of their own marketing, certain companies in the Group need to attend or sponsor events which are organised by political parties or other political organisations, for which a charge is made. These companies also from time to time invite clients and prospective clients to attend events that fall within the meaning of the Companies Act's provisions. The Companies Act defines 'donations' and 'expenditure' very broadly such that this sort of activity falls within its ambit. It similarly defines 'political organisation' widely such that it includes, for example, bodies concerned with policy review and law reform, with representation of the business community or with the representation of their communities or special interest groups, which the companies may wish to support.

During the year, Group companies made the following payments that might be deemed to fall within the definition of 'political donation' or 'political expenditure' in the Companies Act: political expenditure amounting to £12,944 was paid attending conferences and to cover function expenses. This was made up of £7,377 paid to the Conservative Party, £4,962 to the Labour Party and £605 to the Scottish National Party.

Additional information for shareholders

The following information, which summarises certain provisions of the current Articles of Association (the **Articles**) of the Company and applicable English law concerning companies (including the Companies Act), is required to be provided to shareholders as a result of the implementation of the European Directive on Takeover Bids (2004/25/EC) into English law. This is a summary only and the relevant provisions of the Articles and the Companies Act should be consulted if further information is required.

Rights and obligations attaching to ordinary shares

Subject to applicable law and to any existing shareholders' rights, shares may be issued with or have attached to them such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board (as defined in the Articles) may decide. Subject to the Articles, the Companies Act and to any resolution passed by the Company and without prejudice to any rights attached to existing shares, the Board may offer, allot, grant options over or otherwise deal with or dispose of shares in the Company to such persons, at such times and for such consideration and upon such terms as the Board may decide.

Directors' Report continued

Additional information for shareholders continued

Voting rights

Upon a show of hands every member who is present in person at a general meeting of the Company and entitled to vote shall have one vote. On a poll every member who is present in person or by proxy shall have one vote for every share held. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and seniority shall be determined by the order in which the names stand in the register in respect of the joint holding. All resolutions put to members at electronic general meetings shall be voted on by a poll. A member who participates in a general meeting held by electronic means shall have the right to vote on a poll.

The notice of any general meeting of the Company shall specify the deadlines in relation to exercising voting rights with respect to each resolution to be proposed at such meeting. Votes are exercisable at the general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person or by proxy. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for holding the meeting, except in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, for which proxy forms must be received not less than 24 hours before the time appointed for the taking of the poll.

No member shall be entitled in respect of any share held by him to attend or vote (either personally or by proxy) at any general meeting or class meeting of the Company or upon a poll or to exercise any other right conferred by membership in relation to general meetings or polls unless all calls or other sums presently payable by him in respect of that share have been paid. In addition, no member shall be entitled to vote if he has been served with a restriction notice (as defined in the Articles) after the failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act. The Company is not aware of any agreements between shareholders that may result in restrictions on the exercise of voting rights.

Dividends and other payments

Subject to the provisions of the Companies Act, the Company may by ordinary resolution from time-to-time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking pari passu with or after those shares.

Variation of rights

Subject to the Companies Act, all or any of the rights attached to any existing class of shares may from time to time be varied either with the consent in writing of the holders of not less than 75% in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

Restrictions on transfer of shares

The Board may permit title to shares of any class to be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form or with the transfer of the shares by means of a relevant system. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee. The transferor of a share shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register in respect of it. The Board may, in its absolute discretion and without giving any reason for so doing, decline to register any transfer of any share which is not a fully paid share. The Board may also decline to register any transfer of a certificated share unless:

(i) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
(ii) the instrument of transfer is in respect of only one class of share; and
(iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

Other restrictions on the transfer of shares in the Company may from time to time be imposed:

(i) by applicable laws and regulations (for example, insider trading laws and market requirements relating to closed periods);
(ii) pursuant to the Company's Share Dealing Code whereby employees require the approval of the Company to deal in the Company's securities; and
(iii) in relation to shares issued pursuant to acquisitions made by the Company.

As at 31 December 2018 there were no shares of the Company subject to lock-in restrictions. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

Rights and obligations attaching to the deferred shares

The holders of deferred shares are not entitled to receive dividends when declared nor the Company's report and accounts. The holders of deferred shares have no right as such to receive notice of or to attend or vote at any general meeting of the Company unless a resolution to wind up the Company or to vary or abrogate the rights attaching to the deferred shares is proposed.

The deferred shares are also subject to the following terms:

(a) the deferred shares may not be transferred without the prior written consent of the Directors of the Company;

(b) holders of deferred shares are not entitled to receive any share certificate in respect of their holdings;
(c) any cancellation of the deferred shares for no consideration by way of reduction of capital shall not involve a variation or abrogation of the rights attaching thereto;
(d) the Company has irrevocable authority at any time to appoint any person to execute on behalf of the holders of the deferred shares a transfer thereof and/or an agreement to transfer the same, in either case, to Numis Securities Limited, Dowgate Capital Limited or such other person as the Company may determine and to execute any other documents which such person may consider necessary or desirable to effect such transfer, in each case without obtaining the sanction of the holder(s) and without any payment being made in respect of such acquisition; and
(e) the entitlement of a holder of a deferred share on a return of assets on a winding up of the Company is limited to the repayment of the amount paid up or credited as paid up on such share up to a maximum of 49 pence per share and shall be paid only after the holders of any and all ordinary shares then in issue shall have received payment in respect of such amount as is paid up or credited as paid up on those ordinary shares held by them at that time plus the payment in cash or specie of £10,000,000 for every 1p paid up or credited as paid up on those ordinary shares.

The rights attached to the deferred shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking in priority to or pari passu with or subsequent to such shares or by any amendment or variation to the rights of any other class of shares of the Company.

Significant direct or indirect holdings of securities and special rights

Directors' interests in the share capital of the Company are shown in the table on page 55. Major interests in the share capital of the Company of which the Company has been notified are shown in the table on pages 72 and 73. There are no securities which carry special rights with regard to the control of the Company.

Employee share trust

The Huntsworth Employee Benefit Trust (**EBT**) currently holds less than 0.2% of the issued share capital of the Company on trust for the benefit of employees of the Huntsworth Group and their dependants. The voting rights in relation to these shares are exercised by the Trustees. The Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants. The EBT waived its rights to both the 2017 final dividend and the 2018 interim dividend.

Appointment and replacement of Directors

Unless otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate directors) shall be not less than two nor more than 12 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. Any Director appointed by the Board shall retire at the next AGM of the Company and shall then be eligible for election. At every AGM all Directors shall retire from office and may offer themselves for re-appointment by the members.

In addition to the power to remove a Director under the Companies Act, the Company may by special resolution remove any Director before the expiration of his term of office.

The office of Director shall be vacated if:
(i) he resigns or offers to resign and the Board resolves to accept such offer;
(ii) his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number;
(iii) he is or has been suffering from mental ill health;
(iv) he is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his office is vacated;
(v) he becomes bankrupt or compounds with his creditors generally;
(vi) he is prohibited by law from being a Director;
(vii) he ceases to be a Director by virtue of the Companies Act; or
(viii) he is removed from office pursuant to the Articles.

Amendment to the Articles

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act by way of a special resolution.

Powers of the Directors

Subject to the provisions of the Companies Act, the Articles and to any directions given by the Company in general meeting by special resolution, the business of the Company shall be managed by the Board which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company, to issue debentures and other securities and to give security, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

Repurchase of shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital. The Company has the power to buy back up to 33,017,148 ordinary shares. This authority expires at the conclusion of the next AGM of the Company or, if earlier, 23 August 2019. The minimum price which must be paid for such shares is 1 pence and the maximum price payable is the higher of: (i) 5% above the average of the closing middle market quotations for ordinary shares (as derived from the London Stock Exchange Daily Official List) for the five dealing days immediately preceding the date of purchase; and (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the London Stock Exchange Official List at the time the purchase is carried out.

Directors' Report continued

Additional information for shareholders continued

Significant agreements

The following significant agreement contains provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:

- Under the £130 million revolving credit and up to £50 million accordion facilities agreement dated 26 February 2019 between, amongst others, the Company, Lloyds Bank plc (as facility agent) and the banks named therein as lenders (The **New Facilities Agreement**), upon a change of control, the agent may, if the lenders so require, cancel the facilities by giving not less than 30 business days' notice and declare all outstanding amounts under the facilities, together with accrued interest, immediately due and payable.

The New Facilities Agreement replaced a £75 million revolving credit and up to £40 million accordion facilities agreement dated 28 February 2018 between, amongst others, the Company, Lloyds Bank plc (as facility agent) and the banks named therein as lenders (the Previous Facilities Agreement). Under the Previous Facilities Agreement, upon a change of control, the agent was permitted, if the lenders so required, to cancel the facilities by giving not less than 30 business days' notice and to declare all outstanding amounts under the facilities, together with accrued interest, immediately due and payable.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Auditor

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the 2019 Annual General Meeting on 9 May, together with a resolution to authorise the Directors to determine the auditor's remuneration.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Report of the Directors are listed on pages 34 and 35. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- so far as each Director is aware, there is no information relevant to the preparation of the Company auditor's report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor are aware of that information.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Thursday 9 May 2019 at the registered offices of Huntsworth plc, 8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN. The notice convening the AGM, together with the details of the business to be considered and explanatory notes for each resolution, is contained in a separate circular sent to shareholders, it is also available to be viewed on the Company's website.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (**IFRSs**) as adopted by the European Union and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Each of the Directors, whose names and functions are listed on pages 34 and 35 confirm that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

This Directors' Report has been approved by the Board and signed on its behalf by Martin Morrow, Company Secretary.

Martin Morrow
Company Secretary
4 March 2019