

# Corporate Governance Report

Staffline Group plc (the “Company”) is an AIM listed company and is committed to maintaining the highest standards of corporate governance throughout its operations and ensuring that all of its activities are conducted transparently, ethically and efficiently. The Company believes that scrutinising all aspects of its business and reflecting, analysing and improving its procedures will result in the continued success of the Company and improve shareholder value.

In compliance with the AIM Rules for Companies, the Company has chosen to comply with the Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the “QCA Code”).

The requirements of the QCA Code and how the Company complies with them are set out below:

	Principle	Compliance
<b>1</b>	<b>Establish a strategy and business model which promote long-term value for shareholders</b>	<p>The Group’s vision is to be a world class recruitment and training Group, the clear market leader and a trusted partner known for excellent service and integrity, driven forward by digital innovation.</p> <p>The Group’s strategy is to drive the long-term growth of the business. The Group’s business model is set out on pages 6 and 7 and the strategic priorities of the Group are set out on pages 8 and 9.</p> <p>The Group comprises three operating divisions: Recruitment GB, Recruitment Ireland and PeoplePlus.</p> <p>Recruitment GB is a provider of flexible blue-collar workers across a wide range of industries. Recruitment Ireland is a generalist recruitment solutions provider, operating via on-site operations and a branch network covering all major cities across the Island of Ireland. PeoplePlus is a provider of skills and employment training and support, delivering adult education, prison education and skills-based employability programmes across England, Scotland and Wales.</p> <p>The principal risks and uncertainties faced by the Group in achieving its strategic objectives are detailed on pages 46 to 51.</p>
<b>2</b>	<b>Seek to understand and meet shareholder needs and expectations</b>	<p>The Board is responsible for representing and promoting the interests of the Group’s shareholders and is accountable to them for the long-term success of the Group.</p> <p>All shareholders are encouraged to attend the Annual General Meeting (“AGM”). Shareholders will be able to attend the 2023 AGM in person and arrangements will be made to enable shareholders to submit written questions to the Board in advance of the meeting. Shareholders will be invited to vote by proxy, the results of which will be published on the website at <a href="http://www.stafflinegroupplc.co.uk">www.stafflinegroupplc.co.uk</a> following the meeting.</p> <p>A dedicated email address exists to enable all current and prospective shareholders to contact the Group directly at <a href="mailto:investors@staffline.co.uk">investors@staffline.co.uk</a>. The Board recognises that, whilst the majority of shareholders are large institutions, the Company’s private shareholders are important, and the Board welcomes dialogue with them.</p> <p>The Company uses the ‘Investor Meet’ platform for its investor presentations and the Board studies closely the polls, feedback, questions, and analytics generated, demonstrating its shareholder engagement activities.</p> <p>The links to presentations slides, and the Q&amp;A can be found in the Media Library at <a href="http://www.stafflinegroupplc.co.uk/investor-relations/media-library">www.stafflinegroupplc.co.uk/investor-relations/media-library</a>.</p> <p>In addition to the formal institutional meetings at the half-year and year-end, the Executive Directors meet existing and prospective investors throughout the year as part of an ongoing investor engagement strategy. The Interim Chairman also meets key shareholders during the year to discuss corporate governance matters and listen to any concerns that are raised. The Senior Independent Director is also usually available to meet with shareholders and provides an independent point of contact on Board matters. During the year, the Interim Chairman consulted with certain of the Company’s major shareholders who were opposed to certain resolutions proposed at the Company’s 2022 AGM regarding the authority to issue Ordinary Shares of the Company.</p> <p>The Remuneration Committee Chair consulted with a number of the Company’s major shareholders on certain remuneration issues, including the design and grant of options under the Long-Term Incentive Plan for Executive Directors and senior management.</p>

## Principle

## Compliance

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**Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Board recognises its social, economic and environmental responsibilities to wider stakeholders and is committed to act in a way which it considers to be most likely to promote the success of the Group, having particular regard to:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees and temporary workers;
- fostering strong and transparent relationships with customers, suppliers, regulators and investors;
- reducing the risk of modern slavery and other labour abuse mechanisms in our supply chains;
- the impact of the Group's operations on communities and the environment;
- maintaining a reputation for high standards of business conduct; and
- the need to act fairly between shareholders of the Company.

This underpins the Board's approach to setting the overall strategic direction of the Group and supports its core values, policies and procedures, which in turn, creates an environment in which the business and its employees can act with integrity and effectiveness, whilst driving profitable growth. This is demonstrated through Board decisions and within corporate policies. Information on how the Board considered its stakeholders when making principal decisions is provided within the ESG Report on pages 44 and 45.

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**Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' interests and the Group's assets and for reviewing its effectiveness. The system of internal financial control in place is designed to provide reasonable but not absolute assurance against material misstatement or loss.

The Group's Head of Internal Audit oversees a robust, standardised approach to risk management at Group level that complements and builds upon divisional risk management processes, which are predominantly operationally focused.

Regular updates on risk matters are provided to the Audit Committee and the Board through both management reports and the work of the Head of Internal Audit. Further information about the risk management process and the criteria used to assess risk is provided in the Principal Risks and Uncertainties section on pages 46 to 51 of this report.

Group-level policies intended to establish a standard approach across the business in relation to matters such as fraud, bribery, competition, whistle-blowing and conflicts of interest were fully rolled out during 2022 and now form part of mandatory training for most employees.

The Head of Internal Audit works closely with divisional Governance and Compliance teams and plays an important role in the sharing of knowledge and good practice across the divisions. The creation of a Group Governance Director role, which sits across Recruitment GB and PeoplePlus, has led to a programme of continuous improvement that continued during 2022 and included greater standardisation and documentation of operational processes, strengthening of compliance enforcement measures and driving accountability where control failures are identified.

The Recruitment divisions maintain independent compliance audit functions that sit locally within each division and are responsible for checking workers' legal employment status and compliance with industry body and regulatory standards e.g. Recruitment and Employment Confederation ("REC") and Gangmasters and Labour Abuse Authority ("GLAA"). The Payroll teams in both Recruitment divisions also receive ongoing training to ensure compliance with relevant legislation and procedures.

A clear structure of delegated authority levels covering a wide range of transactions is in place along with a formalised Schedule of Matters Reserved for the Board, which is reviewed annually. The framework provided by these documents provides clarity around the extent to which the Board, as the body that has ultimate responsibility for managing the Group's business and safeguarding the interests of its stakeholders, has chosen to delegate its authority in specific areas. Further delegation of authority within the divisions is also documented, with arrangements aligned to each division's particular organisational structure and operations.

There is also regular review of financial information, including year-to-date performance against both current year budget, prior year, and latest forecast, at all management levels up to and including the Board. Both risks to financial performance and potential opportunities are monitored to ensure performance in line with expectations.

# Corporate Governance Report continued

## Principle

## Compliance

### 5

**Maintain the Board as a well-functioning, balanced team led by the Chair**

The Board's role is to provide leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed.

#### The Board

The Board is satisfied that there is an appropriate balance of Executive and Non-Executive Directors, with two Executive and three Non-Executive Directors, two of whom are independent. Tom Spain, the Interim Chairman, leads the Board and is responsible for promoting the strategic success of the Company and creating value for shareholders in the long term whilst ensuring that sound, effective corporate governance practices are embedded in the Group and in its decision-making processes.

Albert Ellis, Chief Executive Officer, is responsible for developing and delivering the Group's strategy within the policies and values established by the Board. Daniel Quint, Chief Financial Officer, is responsible for managing the financial resources, reporting and planning of the Group.

Ian Starkey and Catherine Lynch, the two Independent Non-Executive Directors, bring independent and objective analysis to all matters considered by the Board and its Committees using their substantial and wide-ranging experience. They monitor the executives' delivery of strategy within the risk and governance structure agreed by the Board. It is intended that the Senior Independent Director supports the Interim Chairman and provides an independent point of contact for shareholders on Board matters. Non-Executive Directors are expected to commit two days per month to the Company. This includes attendance at Board and Committee meetings, strategy sessions, the AGM and meetings with shareholders and employees.

The Board meets at least six times each year. During 2022, the Board held 13 formal Board meetings. A minority of meetings were remote.

Individual directors' attendance at the 13 Board meetings held in 2022 is summarised below:

Director	Number of meetings attended	Maximum number of meetings possible
Tom Spain <sup>1</sup> (Interim Chair)	13	13
Albert Ellis	13	13
Daniel Quint	13	13
Ian Starkey <sup>2</sup>	13	13
Catherine Lynch	12	13
Ian Lawson <sup>3</sup> (Chair)	4	4
Richard Thomson <sup>4</sup>	4	4

<sup>1</sup> Tom Spain was re-elected as a Non-Executive Director and appointed as Interim Chairman at the AGM on 26 May 2022.

<sup>2</sup> Ian Starkey was appointed as Senior Independent Director on 26 May 2022. Ian Starkey has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board and as a Director on 16 May 2023, or the Company's AGM in 2023, whichever is the earlier.

<sup>3</sup> Ian Lawson resigned as Independent Non-Executive Chairman and Director of the Company on 25 May 2022.

<sup>4</sup> Richard Thomson resigned as Director and Senior Independent Director on 26 April 2022.

In relation to this principle, the Board considered the ongoing Board restructuring with the appointment of Tom Spain as Interim Chairman in May 2022 and the process of searching for a replacement Independent Non-Executive and Audit Committee Chair, following the forthcoming resignation of Ian Starkey.

Directors are given comprehensive, timely and relevant management information before each Board meeting. Directors are able to obtain independent professional advice in the course of their duties, at the Group's expense. All Directors submit themselves for re-election annually.

Details of the members of the Board and its Committees are set out on pages 54 and 55.

## Principle

## Compliance

5

**Maintain the Board as a well-functioning, balanced team led by the Chair**  
continued

The Board delegates certain functions to its three principal Committees:

**Nominations Committee**

Responsible for ensuring that the Company has the executive and non-executive Board leadership it requires.

**Remuneration Committee**

Responsible for the review, recommendation and implementation of the Group's remuneration strategy, its framework and costs.

**Audit Committee**

Responsible for the integrity of the Company's financial statements and reporting, ensuring the necessary internal controls and risk management systems are in place and effective.

Detailed reports for the: Nominations Committee; Remuneration Committee; and Audit Committee are provided on pages 62, 63 to 67, and 68 to 73, respectively.

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**Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

The Board currently comprises the Interim Chairman, two independent Non-Executive Directors and two Executive Directors, who provide a range of different experience and backgrounds.

Tom Spain was re-elected as a Non-Executive Director and appointed as Interim Chairman at the AGM on 26 May 2022. Tom Spain founded the business Henry Spain Investment Services Limited in 2010.

Ian Starkey, a qualified chartered accountant, has significant financial expertise, specifically in financial management, control and reporting. Ian had a 35-year career at KPMG, including 23 years as a lead audit engagement partner in the UK and Switzerland, and as a member of the Board. Ian chairs the Audit Committee, but has informed the Company that he will not be standing for re-election at the Company's AGM in 2023 and will, accordingly, resign from the Board on 16 May 2023 or at the AGM, whichever is the earlier. The Board is currently seeking a suitably qualified and experienced non-executive to join the Board and accept appointment to chairmanship of the Audit Committee.

Catherine Lynch is a highly experienced HR Director, with over 20 years' experience, is currently Group HR Strategy, Technology and Insight Director at Rentokil Initial plc, and was formerly Chief People Officer UK and Ireland at Flutter Entertainment plc. She is a Fellow of the Chartered Institute of Personnel and Development ("CIPD"), and is currently on the Advisory Board of Dial Global, a community focused on inclusion. Catherine chairs the Remuneration and the Nominations Committees.

Albert Ellis and Daniel Quint are both Chartered Accountants with over 40 years, board level experience at private and public companies between them. Albert was appointed as a Non-Executive Director of HRnet Group Limited with effect from 1 October 2022. HRnet Group Limited is the second largest shareholder in the Company (holding approximately 15% of the current issued share capital).

The Nominations Committee is responsible for the appointment of Directors but ensures that the whole Board is involved in the process.

The Board believes that the Company has a strong, independent, highly qualified and diverse Board with the right people in place to lead the business. Biographical details of the Directors are set out on pages 54 and 55.

Directors are encouraged to keep their skills up to date by attending appropriate training courses. A number of Directors are either currently, or have previously been, members of other Boards where new skills can be learned. During the year, the Board undertook a review of its executive talent management strategy with an external consultancy specialising in Chief Executive Officer succession and assessment, leadership, succession and career management, which worked with the senior management team and the Board as an independent adviser and objective sounding board.

# Corporate Governance Report continued

	Principle	Compliance
<b>7</b>	<b>Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</b>	<p>Tom Spain was re-elected as a Non-Executive Director and appointed as Interim Chairman at the AGM on 26 May 2022.</p> <p>During the latter part of 2022, the Board conducted an in-house self-evaluation with the use of a questionnaire that focused on the remit and key issues facing the Board. In particular, the Board considered how it discharges its strategic remit and reviews key issues facing the Group. As required, directors discussed any matters with the Interim Chairman and Senior Independent Director, as appropriate. The Interim Chairman and Senior Independent Director discussed the outcome of the evaluation, including any recommendations and actions, with the Board.</p> <p>The Board evaluation is conducted on an annual basis which will include an external evaluation at least every three years. It is proposed that the first external Board evaluation be conducted during 2023.</p>
<b>8</b>	<b>Promote a corporate culture that is based on ethical values and behaviours</b>	<p>The Group’s corporate values are detailed on the website: <a href="http://www.stafflinegroupplc.co.uk/about-us/strategy-vision-and-values/">www.stafflinegroupplc.co.uk/about-us/strategy-vision-and-values/</a> and are as follows:</p> <ul style="list-style-type: none"> <li>• teamwork: working together across the business to achieve more for our customers;</li> <li>• respect: taking time to understand, trust and support each other to achieve shared success;</li> <li>• commitment: demonstrating a relentless and driven ambition to exceed expectations;</li> <li>• reliability: fulfilling all our customer requirements, getting the job done;</li> <li>• creativity: solving problems and suggesting new ideas and insights; and</li> <li>• integrity: doing things the right way, for the right reason, ethically, honestly, every time.</li> </ul> <p>These values are driven by the Board and are at the heart of all Board processes and decisions. Group policies including Anti-Bribery, Anti-Fraud, Anti-Money Laundering and Whistle-blowing, are owned by the Board, details of which are provided in the Audit Committee report on pages 63 to 67.</p> <p>The Board is committed to reducing the threat of modern slavery and human trafficking and the Group works with like-minded organisations to try to achieve this as described in the ESG Report on page 32, along with our commitment to health and safety and our approach to UK Data Protection Regulations.</p>

	Principle	Compliance
<b>9</b>	<b>Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board</b>	<p>In accordance with best governance practice, the Board maintains a Schedule of Matters Reserved for the Board, which is reviewed annually. These matters include:</p> <ul style="list-style-type: none"> <li>• overall leadership of the Company and setting the Group’s strategy, objectives, values and standards;</li> <li>• oversight of the Group’s operations;</li> <li>• approving any changes to the Company’s structure and capital;</li> <li>• approval of annual budgets and any material changes to these;</li> <li>• approval of the Annual Report and Accounts, half-yearly reports, dividend policy and any significant changes in accounting policies or practices;</li> <li>• communications with shareholders;</li> <li>• approval of contracts of the Group or contracts proposed by any subsidiary not in the ordinary course of business;</li> <li>• approval and oversight of major investments and capital projects;</li> <li>• ensuring maintenance of a sound system of internal controls and risk management that adapts to changes in the Group’s business activities;</li> <li>• Board and Committee membership;</li> <li>• remuneration of Directors, the Company Secretary and senior executives;</li> <li>• prescribing a matrix of authority limits for delegation to divisional senior management; and</li> <li>• approval of key Group-level policies.</li> </ul> <p>The Interim Chairman is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders.</p> <p>As noted under Principle 5, the Board delegates certain functions to its three Committees: Nominations Committee, Remuneration Committee and the Audit Committee.</p>
<b>10</b>	<b>Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</b>	<p>The Board is responsible for representing and promoting the interests of the Group’s shareholders and is accountable to them for the long-term success of the Group.</p> <p>The Executive Directors hold regular meetings with institutional shareholders. They also update on the performance of the Group to shareholders and wider stakeholders at the interim and annual results presentations.</p> <p>The Executive Directors also hold regular meetings and maintain an ongoing dialogue with the Group’s lenders.</p>

Date on which this information was last reviewed: 20 March 2023