Corporate Governance
Letter from the Chairman

On behalf of the Board, I present Huntsworth plc's Corporate Governance Report for the financial year ended 31 December 2017.

In this section of the Annual Report insight is provided into the activities which have supported the Company's corporate governance during the year.

Board and Committee changes

In October 2017 we announced that, owing to his other business commitments, Tim Ryan would be resigning from the Huntsworth Board with effect from 31 December 2017 on the expiry of his first three-year term.

On 1 January 2018 Elizabeth McKee Anderson joined the Board of Huntsworth as an Independent Non-Executive Director and member of the Audit Committee. Elizabeth brings extensive pharmaceutical industry experience to the Board, particularly in the US – the key area of strategic focus for the Group.

On 22 March 2017 we had a change of chair of the Audit Committee, with Andy Boland deciding to step down from this role and Pat Billingham being appointed in his place. Andy had occupied this role since he joined the Board on 11 August 2014 and continues to be a member of both the Audit and Nomination Committees.

In December 2017, we also announced that Pat Billingham and Nicky Dulieu would both be joining the Nomination Committee with effect from 1 January 2018.

Lastly, Andy Boland also agreed to serve as the Huntsworth Senior Independent Director with effect from 1 January 2018.

Shareholder Dialogue

Throughout the year, the Board actively engaged with its principal shareholders.

In particular, in October 2017 the Company held a capital markets day, which focused on the Company's healthcare business.

On 6 September 2017 the Company announced the appointment of Dowgate Capital Stockbrokers as the Company's Joint Broker, to act alongside Numis Securities, 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 2017, the most notable of which was the sale by BlueFocus of its entire shareholding in the Company and the acquisition of sizeable shareholdings in the Company by Fidelity International and Hargreave Hale (now Canaccord Genuity Inc.). Further details in respect of the Company's major shareholders can be found on page 60.

2017 Board Evaluation

Due to its size, the Company is not required to have an externally facilitated Board evaluation once every three years. However, as announced last year, the Board took the decision to appoint an external firm, being Independent Audit Limited, to facilitate its 2017 Board evaluation. The results of the evaluation were presented to the Board in July 2017 and further detail can be found on page 42.

Annual Re-election of Directors

Following the adoption of new Articles of Association at the Company's 2016 Annual General Meeting (AGM), the Company's Directors are now subject to annual re-election. The Board agreed to implement this measure in the interests of good corporate governance, notwithstanding that the Company is not obliged to comply with the UK Corporate Governance Code provision that all directors be subject to annual re-election. Accordingly, all Directors submitted themselves for re-election at the 2017 AGM.

Electronic General Meetings

In line with a number of other companies, it is proposed that the Company will amend its Articles of Association at the 2018 AGM in order to permit the holding of general meetings electronically as well as physically in accordance with the Companies (Shareholders' Rights) Regulations 2009 and the Companies Act 2006.

Appointment of KPMG as internal auditors

Given the diverse geographic spread of the business, it was felt that using external advisers to provide internal audit services to the Company was preferred and hence KPMG were duly appointed to this role during the year.

Compliance with the 2016 UK Corporate Governance 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 2017 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, through 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 on page 40 to 41.

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 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 roles 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

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 in his biography on page 36.

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; and
- leading a performance evaluation of the Chairman.

Activities of the Board

Eight 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. In addition to the Board meetings above there were two ad hoc sub-committee meetings which, amongst other things, approved the 2016 Annual Report and Accounts and the 2017 Interim Report respectively, with delegated authority from the Board.

Board meetings attendance

Derek Mapp	8 of 8
Paul Taaffe	8 of 8
Neil Jones	8 of 8
Andy Boland	7 of 8
Tim Ryan[1]	7 of 8
Nicky Dulieu	8 of 8
Pat Billingham	8 of 8
Elizabeth McKee Anderson[2]	n/a

1 Tim Ryan resigned as a Director of Huntsworth plc with effect from 31 December 2017.
2 Elizabeth McKee Anderson was appointed as a Non-Executive Director with effect from 1 January 2018.

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

Responsibilities	Activities
Annual budget	Approved the 2018 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 2016 Annual Report and recommended final dividend • Approved the 2017 Interim Report and recommended interim dividend
Finance and capital	• Reviewed the Group's capital structure • Monitored going concern and long-term viability • Assessed the impact from US tax reform proposals
People	• Reviewed and approved changes to the Huntsworth Health senior management team • Reviewed and approved the Company's Modern Slavery Act Statement for the year ended 31 December 2016
Acquisitions and disposals	• Reviewed potential acquisition and transaction opportunities • Reviewed and approved the acquisition of The Creative Engagement Group
Governance	• Reviewed reports from Board Committees • Received updates on key governance changes such as the proposed changes to the UK Corporate Governance Code, the Criminal Finances Act 2017 and the EU General Data Protection Regulation • Reviewed and agreed amendments to the Group's key compliance policies
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 • Considered the Group's risk appetite in light of its strategic priorities • Discussed the implications of the UK's vote to leave the European Union
Investor communications	• Discussed analyst and investor feedback on strategic and operational review • Received feedback from Chairman and Executive Directors from meetings with shareholders
Board effectiveness review	• Discussion of results of Board, Committee and Director evaluations • Reviewed the conclusions of the externally facilitated Board effectiveness review

The Board was particularly engaged in the acquisition of The Creative Engagement Group, which had a short acquisition timetable. The Board also visited The Creative Engagement Group's offices in Manchester and met with key members of staff and management.

The Board reviewed its procedures concerning M&A activity and agreed that the Executive Directors would, at each Board meeting, present a summary of potential and ongoing M&A activity to enable the Board to better assess this element of the Group's strategy for growth.

The Board agreed that, in order to improve its awareness of the investor marketplace, the Chief Financial Officer would present at each Board meeting a paper summarising investor activity as a standing agenda item.

During 2017, the Board appointed Dowgate Capital Stockbrokers as joint broker with Numis Securities to assist the Board in engaging with smaller investors.

Following the success of the approach in 2016, the Board again held a strategy day during which it discussed and considered a number of items, including:

- the presentation of the Group into four divisions (Huntsworth Health being split into Medical, Marketing and Immersive, and the remainder of the Group as one Communications sub-group);
- targeted acquisitions, particularly in the US healthcare marketplace; and
- exploring the opportunities for cross-selling to clients to leverage the capabilities of The Creative Engagement Group.

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 and treasury matters. Furthermore the Board receives updates for approval on 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.

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.

Corporate Governance Report continued

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 advisers as appropriate.

In early 2018, 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.

Board performance evaluation

Even though this is not a requirement for the Company under the UK Corporate Governance Code, the Board and Nomination Committee agreed that the 2017 performance evaluation should be externally facilitated. The Company engaged Independent Audit Limited, which has no other connection with the Company, to facilitate its 2017 performance evaluation.

This evaluation included Independent Audit Limited's attendance at the Board's April meeting to observe, a review of prior Board papers and minutes, interviews with each Director and with the Company Secretary, and a presentation of the results at the Board's July meeting.

The review suggested a number of actions for the Board to consider including, together with progress, the following:

Action	Progress
Appointment of a Non-Executive Director with pharmaceutical experience.	Liz McKee Anderson was appointed to the Board with effect from 1 January 2018. Liz has extensive pharmaceutical experience – particularly in the US market.
The Board to get frequent updates on the progress in the US healthcare communications business and for the Non-Executive Directors to meet senior management on a more frequent basis.	The Board's strategy meeting in September 2017 was held in New York and afforded Board members an opportunity to meet with the Group's key senior management in the US – including those from Evoke Group. The strategy meeting also focused on healthcare in particular.
Ensuring that the Executive Directors have a good understanding of the Non-Executive Directors' needs and expectations in relation to proposed acquisitions.	As stated on page 41, the Executive Directors present a summary at each Board meeting of M&A activity (including pipeline).
Review scheduling of meetings to eliminate long gaps where possible.	Board meetings are now scheduled to take place every two months.
Review the role and remit of the Nomination Committee.	As well as discussing succession planning for senior management, the Nomination Committee has expanded its role to include consideration of the Group's people strategy and culture.

The Chairman is monitoring progress against all action points identified. The Senior Independent Director also led an evaluation of the Chairman through interviews with relevant Directors.

Composition of the Board

The Board aims to have a diversity of skills, experience, length of service, knowledge and gender. The biographies of the Directors are set out on pages 36 to 37. 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, notwithstanding their interests in the shares of the Company as set out in the Report of the Directors on Remuneration, all of the current Non-Executive Directors are independent of the management of the Group and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Previously, Directors had been subject to re-election every three years. However, the Board believed it appropriate to adopt best practice in this area and proposed changes to the Company's Articles to make all Directors subject to annual re-election. Following the adoption of new Articles of Association at the 2016 AGM, all Directors are 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 annual re-election at each AGM.

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 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 Group has sought to implement the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Further details are included in the Audit Committee Report.

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 review 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.

Company Ethics and Whistleblowing

The Company is committed to the highest standards of integrity and honesty and expects all employees to maintain the same standards in everything they do at work. The Company recognises that effective and honest communication is essential to maintain our business values and to ensure that any instances of business malpractice are detected and dealt with.

The Company has a number of policies available via an online policy management portal. These include a Code of Ethics, an Anti-Bribery and Corruption Policy, Guidance on Gifts and Entertainments Policy and a Whistleblowing Policy. In particular, the Whistleblowing Policy has procedures for disclosing malpractice and is intended to act as deterrent to fraud or other corruption or serious malpractice. It is also intended to protect the Group's business and reputation.

During 2017, an external firm continued to provide access to confidential whistleblowing helplines across the Group. The Whistleblowing Policy encourages reporting of any instances of malpractice for investigation and action as required. During the year, one issue was raised, which was investigated by senior management and appropriate actions carried out to resolve the matter.

Investor relations

Relations with shareholders

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

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.

In October 2017, the Company held a capital markets day. The capital markets day focused in particular on the Group's healthcare communications business and included presentations from the senior management of the Evoke, ApotheCom and The Creative Engagement Group businesses.

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 development 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 2017
Pat Billingham (Chair from 22 March 2017)[1]	3 of 3
Nicky Dulieu	3 of 3
Tim Ryan[2]	1 of 3
Andy Boland (Chair until 21 March 2017)[1]	3 of 3
Elizabeth McKee Anderson[3]	n/a

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.

1 Pat Billingham replaced Andy Boland as the Audit Committee Chair with effect from 22 March 2017.
2 Tim Ryan resigned as a Director of Huntsworth plc and member of the Audit Committee with effect from 31 December 2017.
3 Elizabeth McKee Anderson was appointed to the Audit Committee with effect from 1 January 2018.

The Committee's Terms of Reference were reviewed during 2017 and 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. The Directors' biographies on pages 36 to 37 provide further detail.

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 Chief Financial Officer, the Head of Finance and Internal Audit. Provision is made for the external auditors and Internal Audit to discuss any concerns they may have with the Committee in the absence of management.

The Committee receives reports from management which provide additional information to facilitate their review.

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 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 Audit function 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 2017 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; and
- 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 2017 Interim Report, and the 2017 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 31.
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.

All of the above were key areas of audit focus and the auditor also provided detailed reports to the Committee on their 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.

Notably, the Committee also reviewed the potential impact of the changes to be introduced through 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.

The main areas of activity 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 and bribery risk and controls;
- reviewing the Company's first statement under the Modern Slavery Act 2015 and recommending its adoption to the Board; and
- reviewing the Group's IT and cyber security arrangements.

Audit Committee Report continued

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

Risk Committee

The Risk Committee reports to the Audit Committee on risk management activities undertaken by the Group. The Committee comprises senior management representatives from each division, Group management and a member of the Audit Committee. 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 Internal Audit work.

During 2017, 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. In addition, the Risk Committee reviewed the Company's first statement under the Modern Slavery Act and recommended its adoption to the Audit Committee.

Internal audit

Internal audit performs reviews as part of a programme approved by the Audit Committee. During the year, it was agreed that the Company should engage KPMG LLP to provide internal audit services, as it was considered that an external appointee would be able to provide the breadth of coverage required by the business and the geographic spread of the business lends itself to using external advisers.

Internal Audit 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:

- appointing KPMG LLP as the Group's internal auditor;
- reviewing and approving the scope of internal audit activities for 2017 and KPMG LLP's proposed internal audit plan for 2017/18;
- monitoring the effectiveness of internal audit activities, including reviewing the results of all internal audit procedures 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 2018.

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 2017 AGM.

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. In addition, the Committee has to approve all services that are to be provided by the external auditor that exceed a prescribed monetary threshold. A copy of the policy is available on the Company's website (www.huntsworth.com). This policy was reviewed by the Committee during the year and it was agreed to amend the policy such that over any three-year period, the annual fees for non-audit services should not exceed 70% of the average of the audit fees for the preceding three-year period in addition to the existing financial cap of £75,000 for an individual service or specific project.

Since their initial appointment in December 2016, PwC have provided covenant compliance services. Details of the non-audit fees paid to the external auditors are set out on page 84. 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 adviser is engaged.

Nomination Committee Report

Members:	Attendance at meetings during 2017
Derek Mapp (Chair)	2 of 2
Andy Boland	2 of 2
Tim Ryan[1]	1 of 2
Pat Billingham[2]	n/a
Nicky Dulieu[2]	n/a

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; and
- 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.
- consideration of the group's people strategy and culture.

1 Tim Ryan resigned as a Director of Huntsworth plc and member of the Nomination Committee with effect from 31 December 2017.
2 Pat Billingham and Nicky Dulieu were appointed to the Nomination Committee with effect from 1 January 2018.

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. The Board currently has 42% female representation (3 out of 7). During 2017, the Board had 28% female representation (2 out of 7). The Board 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.

During the year, the activities of the Nomination Committee included:

- assessing the skill set and composition of the existing Board and its Committees.
- reviewing the continued contribution and effectiveness of Andy Boland and Nicky Dulieu, whose first three-year terms expired on 11 August and 31 December respectively. The Nomination Committee recommended the extension of the appointments of Andy Boland and Nicky Dulieu for further three-year terms to the Board, subject to annual re-election at each Annual General Meeting in accordance with the Company's Articles of Association.
- reviewing the Board's membership in the light of Tim Ryan's decision to resign from the Board on the conclusion of his first three-year term on 31 December 2017. The Nomination Committee agreed to engage Russell Reynolds Associates, an external search consultancy, to assist in the appointment of an Independent Non-Executive Director with pharmaceutical and biotechnology experience. Russell Reynolds Associates has no other connection with the Company. This search was successfully concluded with the appointment of Elizabeth McKee Anderson with effect from 1 January 2018. All members of the Board met with Elizabeth before the Board agreed to appoint her as an Independent Non-Executive Director.
- recommending to the Board that Pat Billingham and Nicky Dulieu should join the Nomination Committee and that Andy Boland should be appointed as the Company's Senior Independent Director, all with effect from 1 January 2018.
- discussing succession planning both in respect of Board members and senior management within the business.
- discussing the output of the 2017 evaluation exercise of the Board and its Committees. Please refer to page 42 for further details.
- discussing its remit and future role, including reviewing its terms of reference.

Report of the Directors on Remuneration

The Remuneration Committee

Members:	Attendance at meetings in 2017
Nicky Dulieu (Chair)	5 of 6
Tim Ryan[1]	4 of 6
Pat Billingham	6 of 6

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;
- approving the design of, and determining targets for, performance-related pay schemes;
- selection of remuneration consultants as required; and
- approving the Report of the Directors on Remuneration.

1 Tim Ryan resigned as a Director of Huntsworth plc and member of the Remuneration Committee with effect from 31 December 2017.

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 other senior executives of the Group. The Committee is responsible for the design and development of remuneration policies for the Executive Directors of the Company and certain other senior executives 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.

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 2017. This Report is split into two parts:

- This Annual Statement, setting out the key remuneration decisions made during the year, and
- The Annual Remuneration Report, detailing the implementation of the Company's Remuneration Policy during the 2017 financial year.

The Directors' Remuneration Policy as approved at the 2016 AGM is available on the Company's website at http://www.huntsworth.com/media/1278/remuneration-policy-2015-huntsworth.pdf. This Policy will remain in place until the 2019 AGM at the latest when a new policy will be submitted to shareholders for approval.

Key decisions made by the Committee in 2017

Overall, 2017 has been a successful year for the Company; our share price has grown by 114% over the course of the year and we have made significant progress towards the Company's strategic aims, including the acquisition of The Creative Engagement Group ('TCEG').

Given the improvement in the Company's financial performance and the progression of its strategic aims into areas such as M&A activity, the Committee has addressed specific remuneration issues arising from these positive developments. The Company's accounting disclosure change regarding US tax on goodwill amortisation (Tax Disclosure Change) has had a potential impact to existing incentive arrangements that have also required review. All decisions have been made with a view to ensuring that Executive remuneration arrangements are aligned to the long-term performance of the Company and remain equally stretching as originally envisaged. The Committee has also been mindful of the wider changing landscape for Executive Remuneration matters and the evolving views of investors and other stakeholders.

M&A activity

To take into account the impact of the Company's M&A activity during 2017, the Remuneration Committee made amendments to the existing performance targets of awards made to Paul Taaffe and Neil Jones under The Huntsworth Performance Share Plan (PSP) and the replacement awards under The Huntsworth Executive Share Option Scheme 2006 (2006 ESOS Scheme), the awards made to the Executive Directors under The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP Scheme), and the Executive Directors' 2017 Annual Bonus (together the Existing Remuneration Arrangements). In making these amendments, it was the Remuneration Committee's intention to ensure that the Existing Remuneration Arrangements continued to be comparably stretching as was the aim when the awards were granted.

Tax Disclosure Change

As explained on page 25, the Company changed its 2017 accounting disclosure for US tax on goodwill amortisation. The Remuneration Committee discussed the impact of this change and agreed that the impact of the Tax Disclosure Change should be removed from the actual headline EPS (HEPS) reported results in determining the performance outcomes of the long-term incentive awards made in 2015, 2016 and 2017. The Committee considered this adjustment necessary to ensure that performance targets remained stretching and that participants did not benefit from the Tax Disclosure Change.

2017 Performance Targets and Annual Bonus outcome

The Remuneration Committee set the performance targets for Paul Taaffe and Neil Jones in respect of their 2017 Annual Bonus and share awards.

The 2017 Annual Bonus was based upon achieving headline PBT (HPBT) and revenue targets of £21.3 million and £200.7 million respectively, after adjusting for M&A activity in the year, with HPBT having an 80% weighting and revenue a 20% 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 £21.3 million. The Company achieved HPBT of £24.4 million (or 115% of the HPBT threshold target) and revenues of £197.0 million (representing 98% of the revenue threshold target). The 2017 Annual Bonus payable to the Executive Directors represented 119% of their salary during the year (which equates to 79% of the maximum bonus opportunity).

50% 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, whilst not included within the initial terms and conditions, the Executives have voluntarily agreed to increase this and will now defer 100% of the bonus payment in excess of 100% of salary. Accordingly, awards will be made under the 2016 DSBP Scheme to Paul and Neil equivalent in value to £112,400 and £65,500 respectively.

Further details on the performance targets for the 2017 Annual Bonus and share awards, including on the outcome of the 2017 Annual Bonus, can be found on pages 51 to 52.

Long-term incentive outcomes in respect of 2017 performance

Long-term incentive awards granted to Paul Taaffe in 2015, being the PSP award and the replacement award under the 2006 ESOS Scheme, are due to vest in 2018 following completion of their performance periods. Vesting of the PSP award was subject to the achievement of stretching HEPS and TSR performance targets, whilst the award under the 2006 ESOS Scheme was subject to an HEPS performance target.

Given the Company's strong financial performance since the grant of the awards, the 2015 PSP award is expected to vest at 82% of maximum subject to completion of the TSR performance period in May 2018, and the replacement award under the 2006 ESOS Scheme will vest in full.

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

Report of the Directors on Remuneration continued

Annual Statement continued

2018 Performance Targets

The Remuneration Committee has also agreed the 2018 Executive Annual Bonus and share award targets.

As part of its discussions regarding the proposed framework for the 2018 share awards under the 2016 LTIP Scheme, the Remuneration Committee agreed a number of changes to the format of the awards. In previous years, performance targets have been based on a combination of HEPS and TSR targets. However, for the proposed 2018 awards under the 2016 LTIP Scheme, the Committee has determined that performance targets are based solely on achieving stretching HEPS targets, which support the strategic aim of growing the core business whilst also delivering accretive M&A activity.

Further detail, including the performance targets, can be found on page 58.

Holding Periods

In line with evolving best practice, in particular increasing expectations from investors for post-vesting holding periods to be applied to share awards, the Committee has determined that share awards granted in 2018 will include a two-year holding period after the end of the three-year performance period.

Furthermore, whilst not included within the original terms and conditions of the awards, the Executive Directors have voluntarily agreed to a one-year holding period in respect of the existing share awards under the PSP granted to Paul in 2015 and to the share awards granted to the Executive Directors in 2016 and 2017.

2018 Executive Salaries

The Committee reviewed Executive Director salaries during 2017 and determined that Neil's salary would increase by 2.8% to £360,000 (a £10,000 increase), with effect from 1 January 2018. Whilst this represents his first salary increase since joining the Company on 1 February 2016, the Committee were keen to ensure that his salary increase was no greater than salary increases seen within the Group's wider employee population. Paul's annual salary remains unchanged at US $936,000.

Senior management

The Remuneration Committee reviewed various incentive arrangements in place across the organisation during 2017, with a continued focus of expanding awards granted under the 2016 LTIP Scheme. As a result of this review, a higher proportion of our senior management team now participate in the 2016 LTIP Scheme, aligning their interests with those of shareholders, and aligning the various businesses to the Group's overall performance. This also helps to achieve the appropriate balance between fixed and variable remuneration within senior management and allows equity awards to be used as a mechanism to both retain and attract new talent.

Dilution position

The Investment Association's guidelines state that companies should not issue new shares for employee share awards where doing so would result in share issues in a ten-year period which would exceed 10% of the Company's share capital in the case of all employee share plans, or 5% of the share capital in the case of discretionary share plans.

The Remuneration Committee continues to monitor the Company's dilution position as a result of broadening the equity awards to senior management.

Conclusion

The Remuneration Committee believes that the key decisions taken during the year represent a fair balance between the Company's performance and shareholder outcomes over the relevant periods.

We welcome the opportunity to engage with shareholders about any aspect of our Remuneration Policy and its implementation. We were pleased to receive good shareholder support at our 2017 AGM and I look forward to receiving your support once more. Shareholders will have the opportunity to vote on the 2017 Directors' Remuneration Report at our 2018 AGM to be held on Thursday 24 May 2018.

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

Nicky Dulieu
Chair, Remuneration Committee
5 March 2018

Annual Report on Remuneration

In this section of the report, we provide details of the payments made to the Directors relating to the 2017 financial year and the implementation of our remuneration policy in 2018.

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 2017 financial year, together with comparative figures for 2016. Details of Non-Executive Directors' fees are set out on page 53.

	Paul Taaffe		Neil Jones	
£'000	**2017**	2016	**2017**	2016[2]
Salary	**727[1]**	637	**350**	321
Benefits[3, 4]	**24**	20	**5**	9
Short term incentive (i.e. annual bonus)	**712**	212	**415**	113
Long-term incentives[5]	**2,777**	–	**–**	–
Pension[6]	**–**	–	**–**	–
Total	**4,240**	869	**770**	443

1 As described in the 2016 Annual Report and Accounts on pages 42 to 43, Paul Taaffe's salary was converted into USD from 1 October 2016 onwards. His salary in USD for 2017 was unchanged from 2016 at $936,000 – this equates to £727,606 based on the prevailing conversion rate of circa 1.29 for 2017. However, for calculation of bonus and LTIP awards, Paul Taaffe's pre-1 October 2016 GBP denominated base salary of £600,000 will continue to be used.
2 From 1 February 2016.
3 Benefits received by Paul Taaffe are private medical insurance, life assurance and UK tax return preparation services.
4 Benefits received by Neil Jones are private medical insurance and life assurance.
5 This reflects the estimated vesting outcome of Paul Taaffe's 2015 PSP award and the replacement award under the 2006 ESOS Scheme based on a three-month average share price to 31 December 2017. Further details on the vesting of these awards can be found on page 52 The value will be restated in next year's report to reflect actual performance outcome of the 2015 PSP award and the actual share price on the respective vesting dates.
6 Under the terms of their service agreements, neither Executive Director receives a pension benefit or payment in lieu of a pension.

Neil Jones is a non-executive director of Taptica International, an AIM listed Ad-Tech business, for which he received an annual fee of £35,000 until 31 May 2017. From 1 June 2017, the annual fee increased to £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 2017 were based upon achieving stretching 2017 financial targets. The targets were an adjusted profit before tax target (HPBT Performance Target), based on normalised earnings, and a revenue target (Revenue Performance Target). As described on page 49, the performance targets for the 2017 Annual Bonus were adjusted (by increasing the HPBT and Revenue Performance Targets) to reflect the impact of M&A activity undertaken in 2017.

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 Remuneration Committee determined that for 2017, the Annual Bonus would only be payable to the extent that it did not reduce post-bonus HPBT below the budgeted target of £21.3 million. The payment of any Annual Bonus was contingent on the threshold level of HPBT being achieved.

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

The table below summarises the Annual Bonus outcome against the adjusted targets set and the amounts payable in total to the Executive Directors. The Annual Bonus payable amounted to £712,400 to Paul Taaffe and £415,500 to Neil Jones.

					Total Actual Bonus payable	
	Weighting	Threshold target	Maximum target	Actual	as a percentage of salary[1]	as a percentage of the maximum opportunity of 150%
HPBT Performance Target	80%	£21.3 million	£25.6 million	£24.4 million	105.6%	70.4%
Revenue Performance Target	20%	£200.7 million	£240.9 million	£197.0 million	13.1%	8.8%
				Total:	118.7%	79.2%

1 The percentage of Annual Bonus payable has been calculated based upon Paul Taaffe's annual salary being £600,000 and Neil Jones's 2017 salary being £350,000.

Report of the Directors on Remuneration continued

Annual Report on Remuneration continued

The 2017 Annual Bonus is subject to the compulsory deferral of 50% of any bonus payment in excess of 100% of salary under the terms of the 2016 DSBP Scheme. However, whilst not included within the initial terms and conditions, the Executives have voluntarily agreed to increase this and will now defer 100% of the bonus payment in excess of 100% of salary. Therefore, for 2017, share awards equivalent to the cash figures below will be made to Paul Taaffe and Neil Jones under the 2016 DSBP Scheme, as the bonus payments were in excess of 100% of their salaries:

- Paul Taaffe: £112,400
- Neil Jones: £65,500

Malus and clawback provisions apply to the 2017 Annual Bonus.

Paul Taaffe's 2015 award under The Huntsworth Performance Share Plan

In 2015, Paul Taaffe was granted an award under the Performance Share Plan equivalent to 3,057,324 shares. The award was subject to achieving an HEPS target for the year ended 31 December 2017 and a TSR target calculated at the date of vesting (being 10 May 2018). Given the performance conditions are substantially complete at 31 December 2017, an estimated value of the award vesting has been included in the single total figure table for Paul Taaffe on page 51. The actual performance outcome will be disclosed in next year's report, following the completion of the TSR performance period, and the value of the award at vesting will be restated to reflect actual performance outcome and the share price on the date of vesting (i.e. 10 May 2018).

As explained on page 49, the HEPS performance targets attaching to Paul's award under the PSP were adjusted (i.e. by increasing the targets) during 2017 to take into account the impact of M&A activity during 2017. The adjusted performance targets for the award are detailed below:

67% based on HEPS for the year ended 31 December 2017 as follows:

Less than 4.8p	0% vest
Equals 4.8p = threshold vesting	50% vests
More than 4.8p but less than 5.3p	Straight-line vesting between 50% and 100%
Greater than or equal to 5.3p	100% vest

33% is subject to the achievement of a TSR Target as follows:

Below median	0% vest
Median = threshold vesting	50% vests
Median to upper quartile	Straight-line vesting between 50% and 100%
Upper quartile	100% vest

The TSR comparator group comprises the FTSE 250 excluding financial services and extraction companies.

The Company's actual HEPS reported for the year ended 31 December 2017 was 5.8p. For the purposes of determining the vesting of Paul Taaffe's 2015 PSP award, the impact of the Tax Disclosure Change was removed to give a revised HEPS figure of 5.03. Based on this outcome, 73% of the HEPS element will vest, resulting in an award of 1,493,342 shares.

The Company's estimated TSR performance puts Huntsworth plc in the upper quartile. Provided that the Company remains in this quartile, 100% of the TSR element will vest, which equates to 1,008,916 shares.

Subject to the final TSR outcome, it is estimated that the total number of shares that will vest on 10 May 2018 is 2,502,258 (i.e. 1,493,342 plus 1,008,916) (82% of maximum).

As stated above, Paul Taaffe has voluntarily agreed to a one-year holding period in respect of the shares subject to the PSP award, despite this not being included in the original terms of the award.

Paul Taaffe's 2015 replacement award under the Executive Share Option Scheme 2006

Upon Paul Taaffe's appointment to the Board in April 2015, he was awarded an option under the Company's Executive Share Option Scheme 2006 over 2 million shares with an exercise price being calculated as the market value of a share on the date of grant plus 5% (i.e. 42.14p) by way of compensation for awards forfeited at his previous employment.

This award vests in April 2018 subject to HEPS for the year ended 31 December 2017 being greater than 3.7p. The Company's revised HEPS figure of 5.03p (as noted above) for the year ended 31 December 2017 results in this award vesting in full.

LTIP awards (audited)

No LTIP awards vested or were due to vest in the calendar year 2017.

Pension entitlements and cash allowances (audited)

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

Long-term incentives awarded in 2017 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2017 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[1]	2017 awards (100% salary)	£600,000[2]	100%	31 December 2019
Neil Jones	2016 LTIP Scheme[1]	2017 awards (100% salary)	£350,000	100%	31 December 2019

1 The incentive schemes are set out in the remuneration policy, which can be found on the Company's website at http://www.huntsworth.com/media/1278/remuneration-policy-2015-huntsworth.pdf
2 Paul Taaffe's awards under the 2016 LTIP Scheme are based on the pre-1 October 2016 GBP denominated salary of £600,000.

After the awards were made, the Executive Directors agreed that a one-year holding period would apply to the 2016 LTIP Scheme award made in 2017.

Performance conditions for 2017 awards (audited)

The Huntsworth Long Term Incentive Plan 2016 (2016 LTIP Scheme)

Paul Taaffe and Neil Jones were granted awards under the 2016 LTIP Scheme, which are subject to meeting the following performance targets over the performance period that commenced on 1 January 2017 and ends on 31 December 2019:

67% based on cumulative HEPS as follows:

Less than 12.94p	0% vest
Equals 12.94p = threshold vesting	25% vests
More than 12.94p but less than 14.77p	Straight-line vesting between 25% and 100%
Greater than or equal to 14.77p	100% vest

33% is subject to the achievement of a TSR Target as follows:

Below median	0% vest
Median = threshold vesting	25% vests
Median to upper quartile	Straight-line vesting between 25% and 100%
Upper quartile	100% vest

The TSR comparator group comprises the FTSE 250 excluding financial services and extraction companies.

The cumulative HEPS targets described above have been adjusted, by increasing the targets, to take into account the impact of M&A activity during 2017.

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 2017.

£'000	**2017[1]**	2016
Derek Mapp	**135**	150
Andy Boland[2]	**40**	40
Tim Ryan[3]	**40**	40
Nicky Dulieu	**44**	40
Pat Billingham[2]	**43**	35

1 As described on page 50 of the 2016 Annual Report and Accounts, the fees payable to the Non-Executive Directors and Chairman were amended with effect from 1 April 2017. Accordingly, the amounts shown are pro-rated to take into account this change. The current fees payable to Non-Executive Directors are detailed on page 59.
2 Pat Billingham succeeded Andy Boland as Chair of the Audit Committee with effect from 22 March 2017. Accordingly, the figures shown above have been pro-rated to take into account this change.
3 Tim Ryan resigned as a Director with effect from 31 December 2017.

Report of the Directors on Remuneration continued
Annual Report on Remuneration 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 2017, or the date of leaving the Board, are set out in the table below.

No awards were exercised by Directors in the 2017 financial year.

There were no changes in the shareholdings of Directors in office as at 31 December 2017 between the year-end and the announcement date.

					Vested awards		Unvested awards[3]	
	Shareholding requirement (% of salary/ fees)	Target number of shares to hold	Shareholding guidelines met?	Interests in shares	Market priced awards	Nil cost awards	Awards with performance conditions	Total interests in shares
Executive Director								
Paul Taaffe	100%[3]	738,461	In progress	400,000	–	–	7,848,397[1]	400,000
Neil Jones	100%[3]	430,769	In progress	400,000	–	–	2,209,232[2]	400,000

1 Paul Taaffe has 2,000,000 unvested market priced awards (2006 ESOS Scheme) and 3,057,324 unvested Performance Share Plan (PSP) awards and 2,791,073 unvested awards under the 2016 LTIP Scheme. Further details on these awards can be found on page 55.
2 Neil Jones has 501,853 unvested market priced awards (2006 ESOS Scheme), 848,484 unvested PSP awards and 858,895 unvested awards under the 2016 LTIP Scheme. Further details on these awards can be found on page 55.
3 The share price of 81.25p (as at 31 December 2017) 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 2017. 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 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.

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	515,235
Andy Boland	89,496
Tim Ryan[1]	–
Nicky Dulieu	–
Pat Billingham	–
Elizabeth McKee Anderson[2]	–

1 Tim Ryan resigned as a Non-Executive Director with effect from 31 December 2017.
2 Elizabeth McKee Anderson was appointed as a Non-Executive Director with effect from 1 January 2018.

Directors’ interests in share awards (audited)

The interests in share awards of the Executive Directors at 31 December 2017 are as set out below.

Scheme	At 1 January 2017	Granted during year	Exercised during year	Lapsed during year	**At 31 December 2017**	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	–	–	–	**3,057,324**	39.25	nil	10 May 2018
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[3]	–	1,472,392	–	–	**1,472,392**	40.75	nil	20 March 2020
Total Paul Taaffe	**6,376,005**	**1,472,392**	**–**	**–**	**7,848,397**			

1 Paul Taaffe was granted the award as a Performance Share Unit Award (i.e. a conditional share award), which will vest, subject to the performance conditions being met, on 10 May 2018, i.e. three years following the date of grant. It is expected that this award will vest at 82% of maximum (details on page 52). Paul Taaffe has voluntarily agreed during 2017 that a one-year holding period would apply to this award.
2 Paul Taaffe was granted the award as a Conditional Share Award, which will vest, subject to the performance conditions being met, on 9 June 2019, i.e. three years following the date of grant. Furthermore, Paul Taaffe has agreed during 2017 that a one-year holding period would apply to this award.
3 Paul Taaffe was granted the award as a Conditional Share Award, which will vest, subject to the performance conditions being met, on 20 March 2020, i.e. three years following the date of grant. Paul Taaffe has agreed during 2017 that a one-year holding period would apply to this award.

Scheme	At 1 January 2017	Granted during year	Exercised during year	Lapsed during year	**At 31 December 2017**	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[1]	–	858,895	–	–	**858,895**	40.75	nil	March 2020 – March 2027
Total Neil Jones	**1,350,337**	**858,895**	**–**	**–**	**2,209,232**			

1 Neil Jones has voluntarily agreed during 2017 that a one-year holding period would apply to this award.

Performance conditions

Performance conditions for the awards under the 2016 LTIP Scheme made to Paul Taaffe and Neil Jones in 2017 are disclosed on page 53.

The original performance conditions for the award of 3,057,324 shares under the PSP made to Paul Taaffe in 2015 are detailed on page 52 and the performance conditions for the 2006 ESOS Scheme award are described in the Company’s 2015 Annual Report and Accounts on page 47. The original performance conditions for the award under the 2016 LTIP Scheme made 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 under the PSP made to Neil Jones in 2016 and for the 2006 ESOS Scheme award, are described in the Company’s 2016 Annual Report and Accounts on page 45.

Report of the Directors on Remuneration continued

Annual Report on Remuneration continued

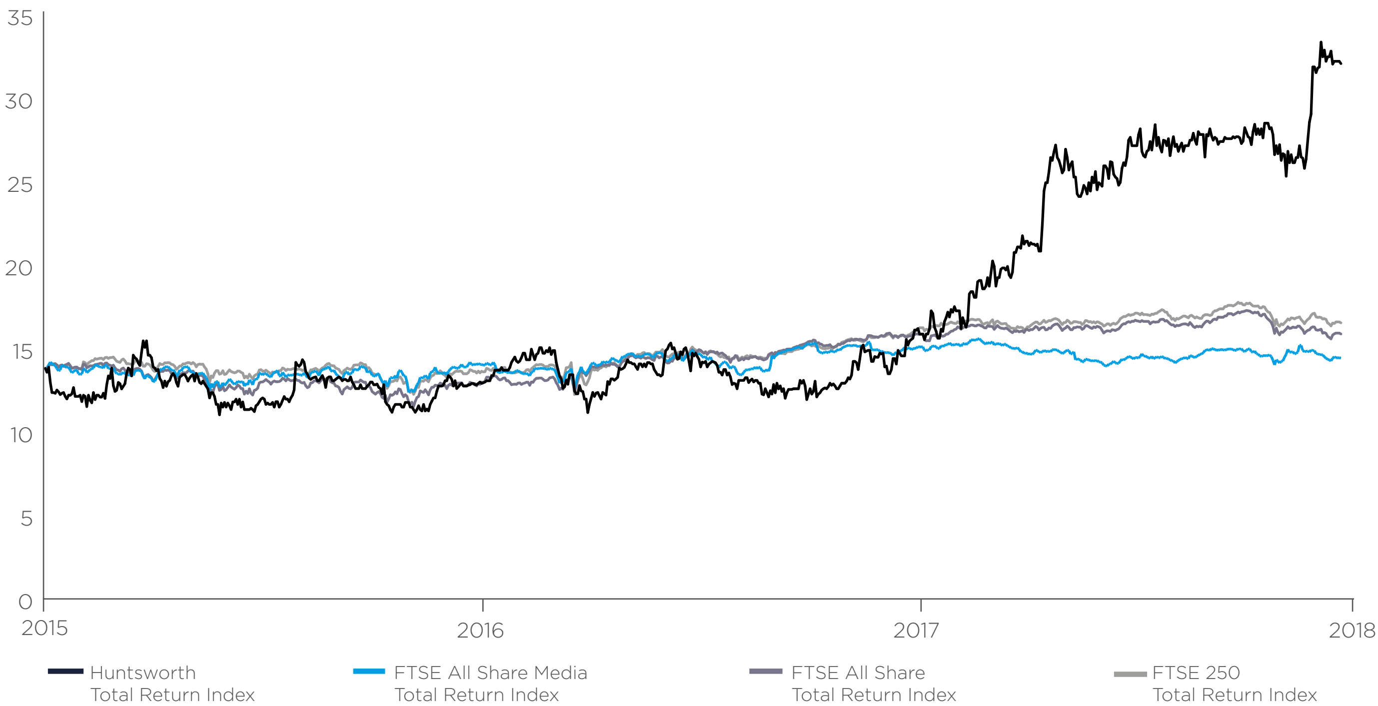
Comparison of overall performance and pay

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 2017 was 81.25p and the range during 2017 was 36.00p to 83.75p.

The graph below shows the Company's TSR performance against the same indices, but starting with 7 April 2015, being the date that Paul Taaffe joined the Group.



The opening market price of Huntsworth shares at 7 April 2015 was 42.75p, representing a 90% increase in share price between this date and 31 December 2017.

Total CEO remuneration

The table below sets out the total remuneration delivered to the CEO over the last nine 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**
Total remuneration	673	1,036	729	1,224	1,033	724	645	869	**4,240**[1, 2]
Annual bonus payment level achieved (% maximum opportunity)	0%	0%	0%	40%	41%	0%	0%	24%	**79%**
LTIP vesting level achieved (% maximum opportunity)	0%	100%	100%	58%	0%	NA	NA	NA	**89%**[1]

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 Of Total remuneration of £4,240,987, £2,777,715 relates to achieving performance targets attaching to long-term incentive plans. As noted above, up to 31 December 2017, the Company's share price had increased by 90% since Paul Taaffe joined the Company on 7 April 2015.

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 2016 to 2017 compared with the average percentage change for the Group's employees.

£'000	**2017**	2016	Change %
CEO			
Salary	**727**	637	14%[1]
Benefits	**24**	20	20%
Bonus	**712**	212	235%
Total	**1,463**	869	68%
Average Group employee			
Salary	**63**	61	3%
Benefits	**5**	5	0%
Bonus	**4**	3	33%
Total	**72**	69	4%

1 Paul Taaffe's salary is denominated and paid in US Dollars. His US Dollar salary of $936,000 is unchanged and 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 the spend on pay

The table below sets out the relative importance of spend on pay in 2017 and 2016 compared with other disbursements from profit.

£'000	**2017**	2016	Change %
Profit distributed by way of dividend	**5,878**	5,702	3%
Overall spend on pay (including Directors)	**120,765**	111,535	8%

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 Report on Remuneration continued

Implementation of remuneration policy in 2018

Executive Directors

Salary

The Committee reviewed Executive Director salaries during 2017, and it was determined that Neil Jones would receive an increase in his salary equivalent to 2.8%, with effect from 1 January 2018. This represents his first salary increase since joining the Company on 1 February 2016, and the Committee was keen to ensure that it was no greater than salary increases seen within the Group's wider employee population. Paul Taaffe's annual salary remains unchanged at US $936,000.

The annualised salaries for 2018 and 2017 are set out below:

Executive Director	2018 USD000	2017 USD 000	Change
Paul Taaffe	936	936	0%[1]

1. Paul Taaffe's salary is denominated and paid in US Dollars. His US Dollar salary shown in the above table of $936,000 has applied from 1 October 2016 onwards, as explained on page 50. Paul Taaffe's US Dollar denominated salary will remain unchanged in 2018. For all other payment arrangements, including any annual bonus payment or LTIP awards, Paul Taaffe's awards will continue to be determined based on his original GBP base salary figure of £600,000. In the single figure table on page 51, his salary is presented in GBP, giving a salary figure of £727,606 during the full year 2017 at an exchange rate of circa 1.29.

Executive Director	2018 £000	2017 £000	Change
Neil Jones	360	350	2.8%

Annual Bonus performance targets

The 2018 annual bonus for Paul Taaffe and Neil Jones will be based on achieving specific HPBT and revenue performance targets. The awards sizes will be in line with the Remuneration Policy and awards made in 2017 (i.e. a maximum opportunity of 150% of salary for Executive Directors). For Paul Taaffe this will be based on his GBP denominated base salary of £600,000.

The Committee is of the opinion that given commercial sensitivity, disclosing precise HPBT and 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 published after the end of the performance period so shareholders can fully assess the basis for any pay outs.

Both awards will be subject to malus and clawback provisions and will be subject to compulsory deferral of any bonus payment in excess of 100% of salary under the 2016 DSBP Scheme.

Long-term incentive plan targets

Awards will be made to Paul Taaffe and Neil Jones in line with the Remuneration Policy, the 2016 LTIP Scheme rules and award sizes in 2017 (i.e. 100% of salary) and, depending on the 2018 Annual Bonus outcome (see above), under the 2016 DSBP Scheme. For Paul Taaffe, as per the approach for his annual bonus, the award under the 2016 LTIP Scheme will be based on his GBP denominated base salary of £600,000.

For awards to be made under the 2016 LTIP Scheme to Paul Taaffe and Neil Jones, these awards will be 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 three years ending 31 December 2020 as follows:

Less than 20.0p	0% vest
Equals 20.0p = threshold vesting	25% vests
More than 20.0 pence but less than 22.8p	Straight-line vesting between 25% and 100%
Greater than or equal to 22.8p	100% vest

The cumulative HEPS required for maximum vesting (22.8p) is approximately 54% higher than the cumulative HEPS required for maximum vesting in respect of the 2017 awards (being 14.77p), illustrating the stretching nature of the targets.

In addition, the Committee has determined that the 2018 share awards will include a two-year holding period after the end of the three-year performance period. Furthermore the awards will include conditions to accommodate M&A activity within acceptable gearing levels.

The 2018 share awards will be subject to malus and clawback provisions.

Non-Executive Directors

Following a review of the fees payable to independent Non-Executive Directors, the Board agreed to amend the fees payable to the Non-Executive Directors with effect from 1 January 2018 as shown below. 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.

£'000	**Fee from 1 January 2018**	Fee from 1 April 2017 – 31 December 2017
Independent NED base fee	**43**	40
Audit Committee Chairman	**7**	5
Remuneration Committee Chairman	**7**	5
Nomination Committee Chairman	**–**	–
Senior Independent Director	**5**	–

In addition, the Committee reviewed the fee payable to the Company's Chairman and agreed to increase this fee from £130,000 to £140,000 with effect from 1 January 2018, partly reflecting the additional complexities in the role from the Company's strategic M&A activity.

The intention is that the fees payable to the Non-Executive Directors and Chairman from 1 January 2018 will be fixed for two to three years (minimum two years).

The following table sets out the expected annual fees payable to the Company's Non-Executive Directors for 2018:

£'000	**2018**
Derek Mapp	**140**
Andy Boland	**48**
Nicky Dulieu	**50**
Pat Billingham	**50**
Elizabeth McKee Anderson	**43**

Advisers to the Remuneration Committee

During 2017, the Committee engaged the services of Deloitte LLP as independent Remuneration Committee advisers.

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 2017 for Remuneration Committee matters were £38,535 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 2017 AGM, the following votes were cast in respect of the 2016 Annual Remuneration Report (advisory vote):

	2016 Annual Remuneration Report	
	Number of Votes	% of votes cast
For & Discretionary	213,918,161	86.44
Against	33,563,571	13.56
Withheld	30,039	0.0

The Remuneration Policy approved by shareholders at the 2016 AGM remains in force and will not be voted on by shareholders until the 2019 AGM. For ease of reference, the 2016 AGM voting outcome is shown below (binding vote):

	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

Directors' Report

The Directors' Report for the year ended 31 December 2017 comprises the Corporate Governance Report on pages 40 to 43 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 35. These specifically include:

- an indication of likely future developments in the business of the Company, pages 10 to 11;
- 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 are set out in the Responsible Business Report on pages 32 to 35.

Dividends

The Directors recommend a final dividend of 1.45p per share for the year ended 31 December 2017. An interim dividend of 0.55p per share was paid on 6 November 2017, making a total for ordinary dividends of 2.00p per share for the year (2016: 1.75p per share). The record date for the final dividend will be 25 May 2018 and it is payable on 5 July 2018. A scrip dividend alternative will be available.

Directors

The following Directors served during the year ended 31 December 2017 and as at the date of this report:

Name	Appointment
Derek Mapp	Chairman and Chairman of the Nomination Committee
Pat Billingham	Independent Non-Executive Director and from 22 March 2017, Chair of the Audit Committee
Andy Boland	Independent Non-Executive Director, Chairman of the Audit Committee until 22 March 2017 and appointed as Senior Independent Director with effect from 1 January 2018
Nicky Dulieu	Independent Non-Executive Director and Chair of the Remuneration Committee
Neil Jones	Chief Financial Officer
Elizabeth McKee Anderson	Independent Non-Executive Director (appointed 1 January 2018)
Tim Ryan	Senior Independent Director (resigned 31 December 2017)
Paul Taaffe	Chief Executive Officer

Biographical details of the Directors in office at the date of this report are set out on pages 36 to 37.

The interests of the Directors in office at 31 December 2017 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 on pages 48 to 59.

Whilst the Company is not required to comply with the UK Corporate Governance Code provision that all Directors be subject to annual re-election, the Board nevertheless decided to adopt this provision and this was approved by the Company's shareholders at the 2016 Annual General Meeting (AGM). Hence at each AGM every Director shall retire from office and each Director wishing to serve again shall submit himself or herself for re-election.

Except as disclosed in the Report of the Directors on Remuneration (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 2017, the Company had been notified of the interests in the Company's ordinary share capital as set out in the table below. The notifications of holdings relate to indirect and/or direct beneficial ownership by the relevant holder of the ordinary shares of the Company and exclude, for example, holdings managed on behalf of a third party (i.e. managed holdings).

Holder	% of share capital[1]	Number of shares	Nature of holding
Aberforth Partners LLP	16.07%	52,797,322	Indirect
Canaccord Genuity Group Inc[2]	10.1558%	33,479,512	Indirect
FIL Limited	10.14%	33,451,559	Indirect
J O Hambro Capital Management Limited	6.10%	20,030,402	Direct
The Wellcome Trust Limited as a Trustee of The Wellcome Trust	5.0815%	16,683,109	Direct
Kabouter Management LLC	5.39%	17,753,402	Direct
Michinoko Limited	5.0%	16,500,000	Direct
Miton Group plc	5.0%	16,490,492	Indirect

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

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 2017 to 5 March 2018 no further notifications were received.

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 2017, the Company's issued share capital comprised 331,858,168 ordinary shares of 1p each, of which 1,686,681 ordinary shares were held in treasury; 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 2017 the Directors were granted the authority to purchase up to approximately 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 32,862,392 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 earlier of 24 August 2018 or the conclusion of the 2018 AGM on 24 May 2018. No ordinary shares were purchased during the year or up to the date of this report.

During the year ended 31 December 2017, no shares were transferred out of treasury to satisfy obligations under employee share plans. The total number of shares held in treasury as at 31 December 2017 and at the date of this report was 1,686,681 ordinary shares.

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 and applications for employment made by disabled persons and provisions for disabled employees and employee involvement can be found in the Responsible Business Report on pages 32 to 35.

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 £11,294 was paid attending conferences and to cover function expenses. This was made up of £7,679 paid to the Conservative Party and £3,615 to the Labour Party.

Additional information for shareholders

The following information, which summarises certain provisions of the current Articles of Association 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.

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.

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.

Directors' Report continued

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 Regulations (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 2017 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 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 49p 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 54. Major interests in the share capital of the Company (i.e. 3% or more) of which the Company has been notified are shown in the table on page 60. 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) holds less than 1.0% 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 2016 final dividend and the 2017 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 Annual General Meeting of the Company and shall then be eligible for election.

Following the Company's 2016 AGM on 26 May 2016, where new Articles of Association were adopted, at every subsequent AGM all Directors shall retire from office and may offer themselves for re-appointment by the members.

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 32,862,392 ordinary shares. This authority expires on the earlier of 24 August 2018 or the conclusion of the 2018 AGM on 24 May 2018. The minimum price which must be paid for such shares is 1p 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.

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 £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 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 £65 million credit facility agreement dated 23 May 2014 between, amongst others, the Company, Lloyds Bank plc (as facility agent) and the banks named therein as lenders and the £5 million committed overdraft facility dated 23 May 2014 between, amongst others, the Company and Lloyds Bank plc (together, the Previous Facilities Agreements). Under the Previous Facilities Agreements, 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.

Directors' Report continued

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the 2018 Annual General Meeting on 24 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 36 to 37. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- so far as each Director is aware, there is no information relevant to the preparation of the Company's 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 auditors are aware of that information.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Thursday 24 May 2018 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 36 to 37 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 loss 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
5 March 2018