



ALAN THOMSON CHAIRMAN

Hays is a strong business with a global presence. We are a leading global professional recruiting group, and experts in qualified, professional and skilled recruitment, helping to power the growth and success of thousands of organisations over five continents.

It was clear to me when I joined Hays as Chairman in November 2010 that Hays takes all aspects of governance very seriously and strives toward best practice. My aim is to ensure that the Board of Hays plc and the organisation as a whole continue to operate to the highest standards of corporate governance. The Board's role remains three-fold: to provide entrepreneurial leadership to the business; stewardship; and to understand the views of shareholders. To help all our stakeholders to understand how the Board has achieved these objectives in the year, this Report continues to be structured along these three themes.

In the boardroom and across our business, we aim to ensure that we promote long-term commercial success, while embedding sound values and principles within our business culture. In this, my first Corporate Governance Report to you, our shareholders, I would highlight two important governance developments within the UK in the last 12 months that affect the way we, the Board, lead the management of your Company.

The first of these was the introduction of the UK Corporate Governance Code (the Code), which replaced the 2008 Combined Code. The Code made some key changes to board governance, the most notable of which were the recommendation of annual re-election of all directors of FTSE 350 companies at their AGMs, the need for boards to consider diversity when making new board appointments, board determination of the Company's risk appetite in achieving its strategic objectives and executive director remuneration provisions, including the use of incentives to support appropriate levels of risk-taking. I am pleased to report that your Board and its committees have acted on these

provisions in the year and further explanation on particular topics can be found later in this Report and in the Remuneration Report.

The second development was the introduction of the UK Bribery Act, which came into force on 1 July 2011. This legislation covers all global activities of any business that has an operation in the UK. We have taken the opportunity to refresh our anti-bribery and corruption arrangements in the year after undertaking extensive risk assessments in every operating country. We have introduced a new Group-wide anti-bribery and corruption policy (including guidelines relating to the giving and receiving of gifts and entertainment) and are providing comprehensive training for all Group employees. We have also introduced controls in respect of our dealings with relevant suppliers and we have put in place internal reporting mechanisms to monitor compliance. The Board will monitor and review these arrangements periodically to ensure they operate effectively.

The Code applies to companies whose accounting period begins on or after 29 June 2010. The Financial Services Authority requires UK listed companies to explain how they applied the main principles set out in Section 1 of the Code and whether they have complied with the principles set out in Section 1 throughout the financial year. This Report explains how we have applied the main principles of the Code during the financial year.

Alan Thomson
Chairman

Statement of compliance

Throughout the year ended 30 June 2011 the Company has, without exception, complied with the provisions set out in Section 1 of the Code. Further information on the Code can be found on the Financial Reporting Council's website, frc.org.uk.

THE BOARD AND ITS WORK

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ENTREPRENEURIAL LEADERSHIP

Board roles

The Board is organised to apply breadth and depth, in both experience and skills, to ensure the successful development of the business, deliver shareholder value sustainably over the long term and to enable the Company to make a positive contribution to society. The Board sets the goals for the business, its culture and standards of conduct. The health of any business is measured in part by the extent to which risk and reward are balanced, how the business uses its strengths to reach its potential and how it effectively addresses its areas of weakness. Essentially, the Board establishes an entrepreneurial framework within which the business can flourish without promoting excessive risk-taking or disproportionately impacting the world's resources.

[Alan Thomson](#) manages and leads the Board as Chairman. The Chairman's main objective is to ensure the Board performs all its functions effectively and sets the standard of leadership for the senior managers and employees to follow throughout the Group. As part of his formal remit, Alan:

- sets and manages the Board agenda;
- ensures the provision of sufficient, appropriate and timely information to all directors;
- ensures that effective communication takes place with shareholders and that the Board understands the views of shareholders;
- ensures the Board has adequate time to consider complex or strategically important issues;
- ensures new directors receive appropriate induction training that is tailored to their specific requirements;
- is responsible for the development of the Board and its individual members, including ongoing training, ensuring optimal effectiveness and active engagement of all members; and
- ensures that the Board and its members are evaluated at least once a year and this is externally facilitated every three years.

[Alistair Cox](#) manages and leads the Group's business as Chief Executive. His core role is to carry out the strategic plans and policies established by the Board and to manage the business operations. In performing his remit, Alistair:

- formulates, develops and recommends the strategy and strategic priorities for the business;
- manages the implementation of the approved strategy and the strategic priorities;
- manages and optimises the operation and financial performance of the business;

- manages and delivers the appropriate communications to shareholders with the Group Finance Director;
- develops the effectiveness of the senior management team and manages the succession requirements; and
- ensures the Chairman is regularly appraised of current business issues.

The Company's strategy is described in pages 6 to 11 of the 2011 Annual Report & Financial Statements.

[Paul Venables](#) as Group Finance Director provides Board focus on the financial position of the Group, manages key stakeholder relationships, including shareholders and banks, oversees the Group's financial reporting and control systems and assists the Chief Executive in operational matters.

[Lesley Knox](#) currently represents the non-executive directors and is an alternative point of contact for shareholders in her role as Senior Independent Director. She also leads discussions on the Chairman's performance and the succession of the Chairmanship, as required. In conjunction with her role as Chairman of the Remuneration Committee, Lesley is a key voice representing shareholder views on the Board. Lesley will be stepping down from the Board at the conclusion of the Annual General Meeting to be held on 9 November 2011. Paul Harrison will be taking over as Senior Independent Director and Chairman of the Remuneration Committee.

[Paul Harrison](#) currently chairs the Audit Committee and has a key role in the Company's governance and control framework, including managing the relationship with the Auditor and representing the Audit Committee on the Board. Paul will be relinquishing his role as Audit Committee Chairman at the conclusion of the Annual General Meeting. Victoria Jarman, who will be appointed as a non-executive director of the Company on 1 October 2011, will succeed Paul as Chairman of the Audit Committee following the Annual General Meeting.

[Alison Yapp](#) as Company Secretary and General Legal Counsel assists the Chairman in administering Board meetings, provides support and advice to the directors, and acts as the principal adviser on governance and legal matters.



Biographies, skills and contributions

The effectiveness of the Board and its committees is determined by the qualities and experience of the individual directors.

The non-executive directors bring an independent view to the Board's discussions and the development of the Company's strategy. Their range of skills and experience ensures that the performance of management in achieving the business goals is appropriately challenged. They also ensure that financial controls and systems of risk management are both rigorous and appropriate for the needs of the business.

The following profiles demonstrate the range of experience, independent judgement and contribution each director brings to the Board.

1. Alan Thomson^b

Chairman, 64

Appointed Chairman of the Board and of the Nomination Committee on 10 November 2010 having been appointed as a non-executive director on 1 October 2010. Alan graduated with an MA degree in History and Economics from Glasgow University. He is currently Chairman of Bodycote plc, the international provider of thermal processing services and a non-executive director of Alstom SA, the French power generation, rail transportation and electrical transmission equipment manufacturer. He is immediate past President of the Institute of Chartered Accountants of Scotland and was formerly the Senior Independent Director and Audit Committee Chairman of Johnson Matthey plc and Group Finance Director of Smiths Group plc.

2. Alistair Cox

Chief Executive, 50

Appointed to the Board on 1 September 2007 and became Chief Executive on 15 November 2007. Alistair is a Chartered Engineer and has an MBA from the Stanford Business School in California. He began his career at British Aerospace before moving to Schlumberger in 1982. After graduating from business school in 1991 he worked for McKinsey & Company before joining Blue Circle Industries (latterly called Lafarge Group) in 1994, where he was Group Strategy Director, leading to his appointment as Regional Director for Asia. He then became Chief Executive at Xansa plc in 2002 before joining Hays. Alistair is a non-executive director of 3i Group plc.

3. Paul Venables

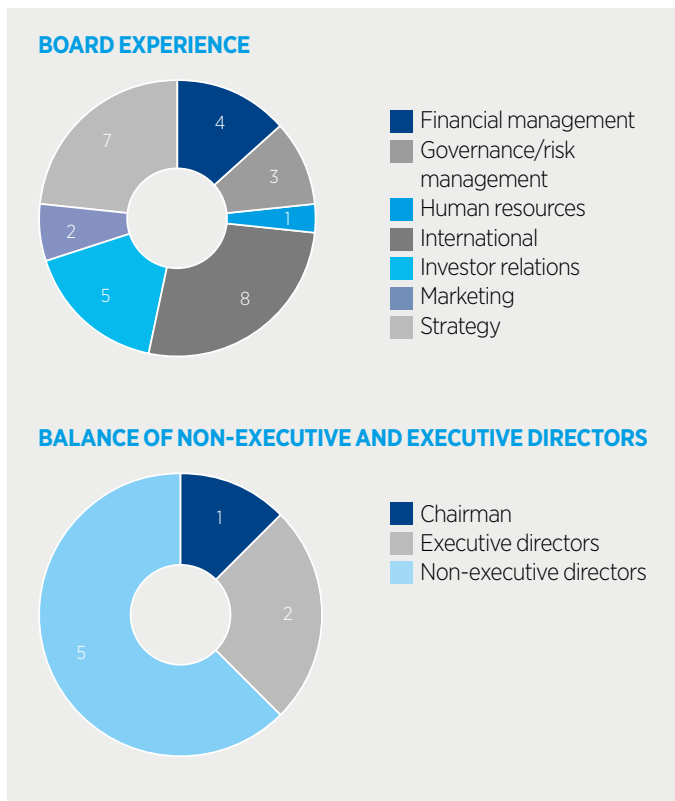
Group Finance Director, 49

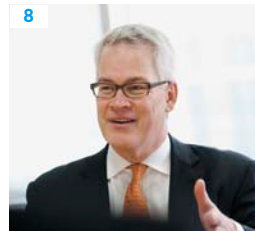
Appointed Group Finance Director on 2 May 2006. Paul is a Chartered Accountant. He previously worked for Exel plc for 13 years prior to the acquisition of Exel plc by Deutsche Post in December 2005. At Exel he held a number of senior finance and operational roles, including Deputy Group Finance Director, a member of the executive board of Exel plc and Chairman of their Acquisitions and Projects Review Board. He joined Hays from DHL Logistics, a division of Deutsche Post World Net. Paul is a non-executive director of Wincanton plc.

4. Lesley Knox^{a,b,c}

Independent Non-Executive Director, 57

Appointed non-executive director on 30 April 2002, she is Chairman of the Remuneration Committee and Senior Independent Director. Lesley graduated in law from Cambridge University. She went on to a career in merchant banking at Kleinwort Benson where she became a group director and was also Head of Institutional Asset Management. In 1999, she co-founded British Linen Advisers (a specialist corporate finance adviser) and remained as a director until 2002. She is Chairman of the





Alliance Trust plc, Chairman of Grosvenor Group Limited, a Trustee of the Grosvenor Estate, a non-executive director of SABMiller plc and Chairman of Design Dundee Limited. Lesley has provided strategic insight for the Company's business and has added clarity on the views of investors in relation to the Company's performance and commercial and remuneration strategies. Having served as a director for nine years this year, Lesley will be stepping down from the Board following the conclusion of the Annual General Meeting to be held on 9 November 2011.

5. William Eccleshare^{a,b,c}

[Independent Non-Executive Director, 55](#)

Appointed non-executive director on 24 November 2004. William graduated with a Masters degree in History from Cambridge University. He was previously Chairman and CEO of Young & Rubicam EMEA and Wunderman EMEA, held senior executive roles at McKinsey & Company, where he was also a Partner, and was Chairman and Chief Executive of BBDO Europe, where he was responsible for all BBDO advertising, direct marketing, digital and public relations agencies in 44 countries. He is President and Chief Executive of Clear Channel International, the world's largest outdoor advertising media owner. William played a major role in the development of the new Hays brand identity and continues to bring clarity on the Company's marketing approach, especially across the Group's international markets.

6. Paul Harrison^{a,b,c}

[Independent Non-Executive Director, 47](#)

Appointed non-executive director on 8 May 2007, he is Chairman of the Audit Committee. Paul is a Chartered Accountant. He was a Senior Manager at Price Waterhouse, now PricewaterhouseCoopers LLP, and was responsible for the provision of audit and advisory services to large private and publicly listed companies. He joined The Sage Group plc as Group Financial Controller in 1997 and became its Group Finance Director in April 2000. As finance director of a major technology and people-based international company, Paul brings considerable value and thought to the Audit Committee and the Board.

7. Richard Smelt^{a,b,c}

[Independent Non-Executive Director, 54](#)

Appointed non-executive director on 15 November 2007. Richard graduated in Psychology from Leeds University, is a Fellow of the Chartered Institute of Personnel and Development and has an MBA from the London Business School. With over 30 years' experience in HR management, he was Group Human Resources Director of Carphone Warehouse Group plc and Group Human Resources Director of Northern Rock plc post nationalisation. He currently has a portfolio of interests in private equity. Richard has been influential in helping the

Company enhance the key skills within its global workforce and has supported management in creating an industry-leading development process for all levels of employees.

8. Paul Stoneham^{a,b,c}

[Independent Non-Executive Director, 49](#)

Appointed non-executive director on 24 November 2004. Paul holds a degree in Sociology from the University of Western Ontario and an MBA from Harvard University. Previously he was President of Global Business Development at Colgate Palmolive, responsible for leading the Oral Care, Personal Care and Home Care global categories. His earlier roles included Managing Director of Boots Healthcare International and he was a member of the Boots PLC Executive Committee, President of Alberto Culver International and various Procter & Gamble brand and category management roles. He is currently Chief Executive Officer of ghd Group Holdings Ltd, a professional hair care company. Paul is a key contributor to the Company's execution of strategy. Having led global companies as well as having worked and lived in five countries, he also brings an international perspective to the Board's discussions.

9. Alison Yapp

[Company Secretary and General Legal Counsel, 45](#)

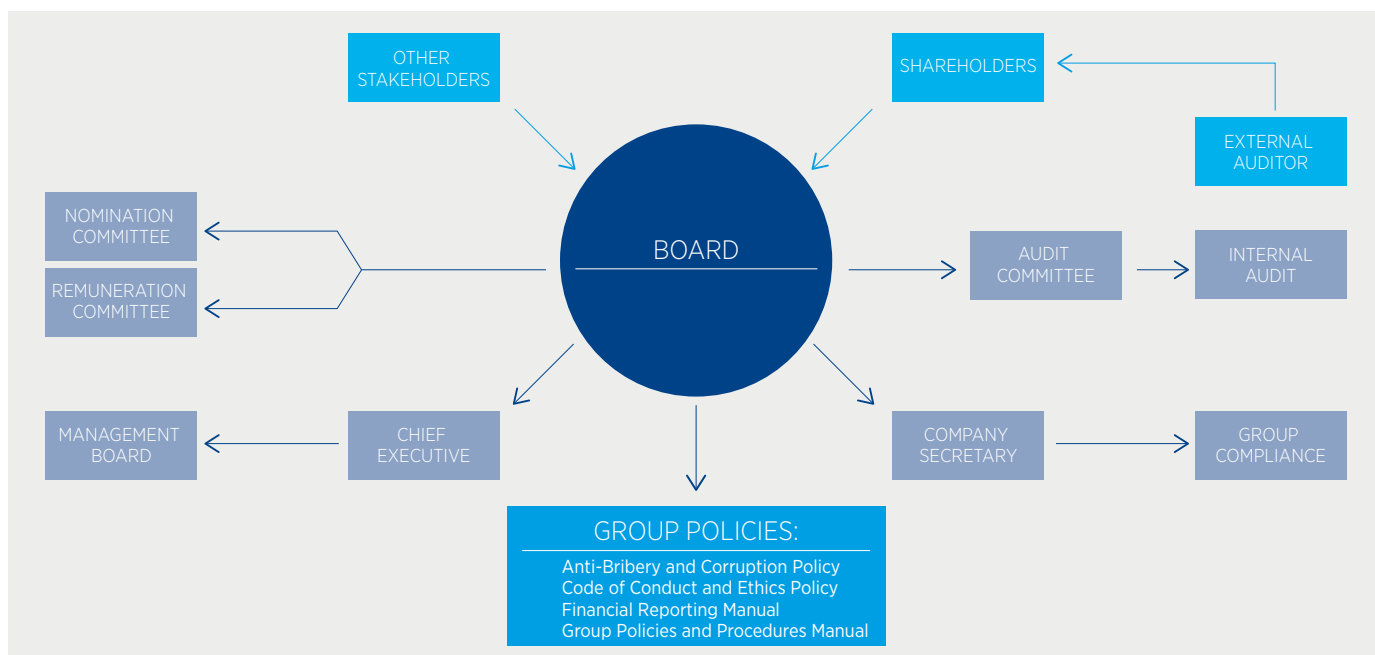
Appointed Company Secretary and General Legal Counsel on 30 January 2006. Alison qualified as a solicitor in 1990. She began her career in private practice at Turner Kenneth Brown, advising corporate and commercial clients before moving in-house. She has c.20 years' experience in industry within a number of international groups in the engineering, industrial and support services sectors. She was previously Company Secretary and Group Legal Adviser of Charter plc (now Charter International plc), an international engineering company, and prior to that held senior legal and secretarial positions in Johnson Matthey plc and Cookson Matthey Ceramics plc.

All the non-executive directors are considered by the Board to be independent as detailed in the Code. The letters of appointment for non-executive directors are available for review at the Company's Registered Office and prior to each annual general meeting. A pro forma letter of appointment is available on the Company's website, haysplc.com.

- a Audit Committee
- b Nomination Committee
- c Remuneration Committee

CORPORATE GOVERNANCE REPORT CONTINUED

OUR GOVERNANCE FRAMEWORK



The main functions of our governance framework are listed below, along with an overview of their responsibilities.

Nomination Committee

Reviews the structure and composition of the Board and leads the process for the identification and selection of new directors. Further details on the activities of the Nomination Committee are provided in the Nomination Committee Report on page 41 of the 2011 Annual Report & Financial Statements.

Remuneration Committee

Determines and agrees with the Board the policy for the remuneration of the Chairman, Executive Directors, Company Secretary and selected senior managers of the Group. Further details on the Group's remuneration policy are provided in the Remuneration Report on pages 49 and 50 of the 2011 Annual Report & Financial Statements.

Audit Committee

Ensures that the Company applies consistent financial reporting and internal control procedures and maintains an appropriate relationship with the Company's Auditor. Further details on the activities of the Audit Committee are provided in the Audit Committee Report on pages 42 and 43 of the 2011 Annual Report & Financial Statements.

Company Secretary

Ensures good information flows for the Board and its committees and between senior management and non-executive directors. Facilitates the induction of new directors and assists with professional development as required. Ensures Board procedures are complied with and that applicable rules and regulations are followed. The Company Secretary is available to all directors to provide advice and assistance, and is responsible for providing governance advice to the Board.

Internal Audit

Facilitates the identification of risks and carries out reviews and testing of the controls that are in place to mitigate the risks. Further details of the work of Internal Audit are provided in the Audit Committee Report on pages 42 and 43 of the 2011 Annual Report & Financial Statements.

Management Board

Chaired by the Chief Executive, this body is responsible for overseeing operations in the Group's regions and the Group functional areas.

Group Functions

These specific administrative functions are controlled centrally at Group level and report to the Board via various members of the Management Board. For example, Finance, Investor Relations, Insurance, Tax and Treasury report through the Group Finance Director, and Compliance and Environmental, Health and Safety report through the Company Secretary. Procedures are clearly defined to ensure that the activities of these functions reduce the risk profile of the organisation.

Group Policies

The Board is responsible for ensuring that adequate policies and procedures are in place. These are reviewed and amended as required to ensure that they remain in line with legislation and regulations and are sufficiently robust to ensure appropriate internal controls are maintained, whilst also providing a suitable framework for the businesses and Group functions within which to operate.

How the Board operates

The Chairman, in conjunction with the Company Secretary, plans the agenda for each meeting, which is issued with supporting papers during the week preceding the meeting. Board packs contain monthly management accounts, briefing papers on commercial and operational matters and major capital projects, reports on relations with investors and updates on the implementation of key strategic plans.

The programme for visits to operations in the UK and overseas is agreed with the Chairman and scheduled by the Company Secretary. This provides the Board with the opportunity to broaden its understanding of the business and key markets year-on-year and to gain invaluable insights through direct contact with business managers and the operations.

A procedure exists for directors to take independent professional advice if necessary at the Company's expense. All directors also have access to the advice and services of the Company Secretary.

Matters reserved for the Board

The following matters are reserved for the Board:

- Approving financial results and other financial, corporate and governance matters;
- Approving material contracts;
- Approving Group strategy;
- Approving appointments to the Board;
- Recommending dividends and deciding dividend policy;
- Reviewing material litigation;
- Approving major capital projects, acquisitions and disposals;
- Reviewing annually the effectiveness of internal control and the nature and extent of significant risks identified by management and associated mitigation strategies; and
- Approving the annual budget.

Board committees

Our non-executive directors play an important governance role in the work they carry out on our committees. The Chairman and members of each committee are detailed below. The Board has satisfied itself that at least one member of the Audit Committee has recent and relevant financial experience. The committees can seek professional advice at the Company's expense.

Audit Committee

Paul Harrison, Chairman	Richard Smelt
William Eccleshare	Paul Stoneham
Lesley Knox	

Nomination Committee

Alan Thomson, Chairman	Lesley Knox
William Eccleshare	Richard Smelt
Paul Harrison	Paul Stoneham

Remuneration Committee

Lesley Knox, Chairman	Richard Smelt
William Eccleshare	Paul Stoneham
Paul Harrison	

Richard Smelt was appointed to the Audit Committee on 23 March 2011.

Terms of reference

The Board has agreed written terms of reference for each committee, which are available on the Company's website, haysplc.com, and are also available upon request from the Company Secretary at the Registered Office. During the year, each committee reviewed its terms of reference to ensure that they remained in line with best practice guidance and the Company's policies and practices. Following the reviews, minor changes were made to the terms of reference for the Audit Committee to take into consideration the revised 2010 Institute of Chartered Secretaries and Administrators' (ICSA) Guidance for Audit Committees. Changes were also made to the terms of reference for the Nomination Committee to include an annual review of the structure, size and composition of the Board and to consider the benefits of diversity, including gender, when identifying suitable candidates in line with the Code. The terms of reference for the Remuneration Committee were amended to take into account the requirements in the Code relating to risk and the Company's remuneration policy, addressing the recommendation that the performance criteria should reflect the Company's objectives and should include non-financial performance metrics where appropriate. Changes were also adopted to reflect the ICSA Guidance issued in October 2010 regarding committee membership and termination payments (which should reflect a director's duty to mitigate his or her loss).

Operational management structure

Responsibility for the management and operations of the business is delegated to the Chief Executive who operates through the Management Board. The Management Board is chaired by the Chief Executive and consists of the Group Finance Director, Regional Managing Directors, the Group HR Director, the Group Marketing Director, the Group IT Director and the Company Secretary and General Legal Counsel. Clear levels of authority exist for the Management Board in their day-to-day activities.

Each of the Company's Regional Managing Directors operates through their regional operating boards. Each regional board is led by the regional managing director and consists of key management from the region's operations and business functions, including Finance, HR and Marketing.

As far as possible, each business is given autonomy, whilst being required to operate within the internal control environment established through the Group Policies and Procedures Manual.

Managing risks and internal control

The Board is responsible for the Group's risk management process, its system of internal control and for maintaining and reviewing their effectiveness. The Board annually reviews the nature and extent of significant risks identified by management both on a gross as well as a net (post mitigation) basis, and the status of mitigation plans. This exercise involves the presentation of risk findings to enable the Board to review and oversee the status of the key risks to the business. The Board in turn reflects on the level of risk appetite acceptable to the Group in order to achieve the Company's strategic objectives. In May 2011, the Board reviewed the nature and extent of the significant risks in the Group on a gross and net basis and determined that the risks and their relative priority were appropriate and that actions had been defined and attributed to owners in order to treat the risks appropriately. The Board also considered the key regional risks that had been identified by management.

Day-to-day management of risk is overseen by the Management Board, which operates a risk management process involving assessment of key Group risks twice a year. The operating regions also conduct assessments of strategic and operational risks within each region. Each risk is assessed in terms of its likelihood to occur and the potential financial and reputational impact if it does so. Appropriate mitigation plans and strategies are put in place for those risks that are controllable. Progress on the management of risks is reported to the Management Board. During the year under review, the Management Board reviewed the progress of high-priority risks, and also considered any new or emerging risks that were identified.

Risks are further controlled through delegated authorities and other written policies and procedures, which are approved by the Board, updated as necessary, and overseen by Group functional departments. The Group Policies and Procedures and Financial Reporting Manuals, which encompass all of the Group's operations, are designed to ensure that a minimum level of corporate, accounting, financial and operating controls are in place and allow matters to be appropriately and promptly escalated to senior management and the Board. The manuals are updated on an ongoing basis to reflect changes in procedures as and when they occur. The Group's Code of Conduct and Ethics Policy outlines the way in which employees are expected to conduct themselves when carrying out their business activities.

The Group operates a comprehensive budgeting and financial reporting process. Annual budgets are reviewed and approved at business and Group levels. This process includes the identification and quantification of significant risks relating to markets and operations. Monthly performance is reported against budget and prior year. The monthly management accounts analyse and explain variances against budget and report on key indicators, with detailed explanations for variances and movements in forecasts provided to the Board.

The Group's Internal Audit department also focuses on facilitating the identification of risks and undertakes reviews and testing of the controls in place for their mitigation. The department's resources are augmented with independent, expert external resource where necessary, to review risk and monitor compliance with the Group's policies and procedures. Regular reviews of the most important controls are undertaken to ensure that key control objectives are achieved. Reports on the effectiveness of operational and financial controls are presented to management and to the Audit Committee at each meeting and recommendations are agreed upon with management and implemented.

The Group's systems and controls are designed to manage risks, safeguard the Group's assets and to ensure the reliability of information used both within the business and for publication. Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The principal risks disclosed opposite represent the significant areas which the Board considers could most likely impact the Group's financial performance and reputational standing.

Internal control statement

Responsibility for reviewing the effectiveness of the Group's system of internal control has been delegated to the Audit Committee. The Audit Committee has reviewed the effectiveness of the Group's system of internal control for the year ended 30 June 2011, covering all material controls, including financial, operational and compliance controls and risk management systems and has concluded that it is in compliance with the revised Turnbull guidance – Internal Control: Revised Guidance for Directors on the Combined Code (October 2005) published by the Financial Reporting Council. This internal control statement has been reviewed and approved by the Audit Committee. Further details on the Group's internal control system are reported in the Audit Committee Report on page 43 of the 2011 Annual Report & Financial Statements.

PRINCIPAL RISKS

Risk	Management actions to mitigate risk
<p>Cyclical nature of our business The performance of the Group is significantly impacted by changes to the underlying economic situation in the United Kingdom, Australia, Germany and France.</p>	<p>The Group has diversified its operations to include a balance of both temporary and permanent placement recruitment services to public- and private-sector markets, and operates across 31 countries and 20 sector specialisms.</p> <p>The Group's cost base is highly variable and is carefully managed to align with business activity.</p> <p>The Group has ensured that net debt has been kept at an appropriate level.</p> <p>The Group is highly cash generative, requiring low levels of asset investment. Cash collection is a key priority and the Group has made appropriate investment in its credit control and working capital management processes.</p>
<p>Business model risk The Group faces a number of industry risk factors in the competitive environment notably the increasing use of social media and the gradual shift towards outsourced recruitment models with associated margin pressures.</p>	<p>We have leveraged our broad geographical and sectoral footprint to win a significant number of multispecialism contracts with large corporate organisations. This has strengthened significantly our relationship with these clients, increasing our share of their recruitment spend and increasing our share of the markets in which we operate.</p> <p>We monitor changes in the market in terms of industry trends including social media, and continue to invest in our online presence to provide a high-quality customer experience.</p>
<p>Talent The Group is reliant on its ability to recruit, train, develop and retain staff to deliver its growth plans.</p>	<p>We continue to ensure that overall remuneration packages are competitive. This includes performance-related commissions to incentivise staff.</p> <p>Increased focus has been given to internal recruitment activities and training opportunities (for example through e-learning).</p> <p>Our leadership development programmes are in place and developing the potential of future leaders.</p> <p>Annual succession plans are undertaken across all regions to identify key roles and successor options.</p> <p>We maintain medium- to long-term management incentive schemes for our top 360 employees to foster commitment to the continued growth of the Group.</p>
<p>Compliance risk Certain checks are required before we place candidates into their roles. For certain roles and industries those checks are more specific as set out by legislation. Failure to complete, maintain or refresh those checks could lead to legal, financial and reputational consequences.</p>	<p>All new employees receive training in respect of the relevant operating standards that are applicable to their particular recruitment role. The Compliance function is also available to provide support and guidance to recruitment consultants.</p> <p>Our higher-risk specialisms such as Education and Healthcare have supplementary processes and controls in place to ensure that operational standards are complied with.</p> <p>In territories where legislation sets out additional requirements, compliance specialists are employed, for example occupational health and safety in Australia.</p> <p>Dedicated compliance auditors conduct spot checks on candidate records, to ensure that the appropriate vetting checks and due diligence are carried out in line with legal and contractual requirements.</p>
<p>Reliance on technology The Group continues to develop and integrate new systems to improve performance. Business activities are increasingly reliant on system performance and integrity (Hays' and its clients' systems) to deliver service to clients and workers. A large amount of confidential data is held in these systems.</p>	<p>Technology systems are housed in various data centres and the Group has capacity to cope with a data centre loss through the establishment of disaster recovery sites that are physically based in separate locations to the ongoing operations.</p> <p>Data protection remains a key priority. Specific contractual provisions exist with regard to our data centres, to ensure we have sufficient handling and storage procedures around confidential data.</p> <p>The Company has in place data protection and security policies and, where data protection legislation allows, email monitoring programmes are undertaken to highlight potential areas of concern, which are then investigated.</p>
<p>Contract risk The Company enters into contractual arrangements with clients, some of which can be onerous in terms of required activities.</p>	<p>During contract negotiations management seeks to minimise risk and ensure that the nature of risks and their potential impact is understood.</p> <p>Our legal team has the depth of knowledge and experience to enable them to advise management on the level of risk presented in contracts.</p> <p>Reviews are performed on a risk basis across key contracts, to identify and agree improvements to the way in which we deliver services to clients.</p> <p>The Group Finance Director reviews and approves contracts with non-standard terms.</p>
<p>Foreign exchange The Group has significant operations outside the UK and is therefore exposed to foreign exchange translation risk.</p>	<p>Profits from Australia and Euro-based markets are a material proportion of the Group's profitability. There is no active management of translation foreign-exchange risk, however, we continue to monitor our policies in this area.</p>

UNDERSTANDING SHAREHOLDERS' VIEWS

Responsibilities

Hays gains insight into the views of shareholders and other stakeholders through a variety of means. Feedback received through these engagement channels is regularly reported to the Board.

Primary responsibility for engaging with shareholders rests with the Chairman, Chief Executive and Finance Director, supported by the Investor Relations and Company Secretarial departments, and external advisers.

Should shareholders wish to raise any concern where the normal channels have failed to resolve the issue or are inappropriate for any reason, Lesley Knox is available to shareholders in her role as Senior Independent Director. Lesley is a significant contributor to the Board on shareholders' perspectives. Lesley will be stepping down from the Board at the conclusion of the Company's Annual General Meeting to be held on 9 November 2011 and, following the Annual General Meeting, Paul Harrison will become the Senior Independent Director.

We are delighted to inform shareholders that our Investor Relations team has been recognised as ranking eighth out of 60 European support and business services companies in the 2011 Thomson Reuters Extel Survey of investor relations professionals. We believe that this demonstrates the importance we attach to effective communication with our shareholders.

How we engage with shareholders

During the year, the Board has maintained a regular and open dialogue with investors. We have formal arrangements for engaging with shareholders including those described below.

Investor meetings

The executive directors and the Investor Relations team regularly meet with analysts and major investors to discuss any concerns they may have and to explain the Company's strategy.

The Group's advisers maintain a dialogue with major shareholders and, following each investor roadshow, provide a report on the views of shareholders on key issues and management performance. A summary of this report is subsequently provided to the Board.

All non-executive directors are aware of the investor relations programme and are available should shareholders wish to meet them. Investors are offered the opportunity to meet the Chairman and Senior Independent Director.

Annual general meeting

The annual general meeting provides an opportunity to communicate with all shareholders and in particular with our private shareholders. The Chairmen of the Audit, Nomination and Remuneration Committees are also available at the annual general meeting to answer any questions shareholders may have.

The Notice of Meeting sets out the resolutions being proposed at the Annual General Meeting to be held on 9 November 2011. It is the Company's policy at present to take all resolutions at a general meeting on a poll.

Formal consultations

The Chairman of the Remuneration Committee consults with major investors and seeks their views on the proposed incentive arrangements for executive directors and senior management (where appropriate). From time to time, we specifically seek major shareholders' views on other Company proposals.

Communications from shareholders and representative bodies

From time to time, we receive circulars directly from major shareholders and representative bodies, such as the Association of British Insurers, the National Association of Pension Funds and Pensions Investment Research Consultants. We also review the various environmental, social and governance reports published about us annually and endeavour to address any weaknesses or failings identified.

External advisers

Legal, financial, remuneration and communications advisers naturally have broad exposure to shareholder views and practice in the course of their research and work with their many clients. Appropriate external advice is sought by the Board, Board committees and Group departments when considering important issues.

Corporate website

There is a wealth of information available on our corporate website, haysplc.com, including:

- financial information and results history;
- all announcements made to the London Stock Exchange;
- the terms of reference of the Audit, Nomination and Remuneration Committees;
- a pro forma letter of appointment for the non-executive directors;
- latest news and press releases; and
- webcasts and interviews given by our executive directors.

BOARD FOCUS IN THE 2011 FINANCIAL YEAR

What the Board has done in the year

Developing a successful strategy

- Regularly received reports on the Group's strategic performance
- Received progress reports on the Group's IT infrastructure projects
- Attended a strategy day, with the members of the Management Board, at which key strategic matters were discussed
- Visited operations in Australia and China during which presentations were given by the senior management team on performance and opportunities and the Board undertook a visit of operations
- Reviewed the operations and strategy plans for each of the Group's regions
- Approved the expansion of operations into new countries

Ensuring appropriate financial management

- Regularly received reports on the Group's financial performance
- Approved financial announcements for publication
- Approved the annual budget
- Approved the interest rate hedging policy

Implementing governance and ethics and monitoring risk

- Performed the annual review of the effectiveness of internal control and of the nature and extent of risks identified and mitigation strategies
- Approved a new Anti-Bribery and Corruption Policy
- Reviewed regular reports on legal and compliance matters from the Company Secretary
- Reviewed Board and committee effectiveness
- Reviewed and approved changes to the Terms of Reference of the Audit, Nomination and Remuneration Committees

Motivating employees

- Considered the results from TALKback, the Group's employee engagement survey

Engaging with investors

- Received regular updates on views and concerns from investors
- Considered the Company's investor relations strategy

Building strong leaders

- Assessed 'Fast Forward', the leadership development programme for senior managers and received presentations from certain participants
- Considered the tools employed in the leadership and development strategy
- Reviewed the Group's succession plans and assessed risks and options

Main Committee activities

Audit Committee

- Received reports from Internal Audit on the findings of their work and reviewed and approved the updated Internal Audit plan
- Received reports from the Tax, Treasury, Insurance and Compliance functions
- Reviewed credit control in the UK
- Considered the external audit plan and reviewed the results of the audit
- Assessed the performance of the key individuals in the Group, Asia Pacific and UK finance teams
- Reviewed the risk management and controls framework and their effectiveness
- Reviewed the performance and effectiveness of the Auditor
- Considered the effectiveness of the Group's whistleblowing arrangements and received regular reports of any serious concerns
- Reviewed financial announcements for publication

Nomination Committee

- Led the process for the appointment of a new non-executive director
- Reviewed the composition of the Board and its committees
- Considered directors' annual re-election as recommended by the Code

Remuneration Committee

- Reviewed the incentive framework for executive directors and senior management, taking risk into account
- Considered and approved the outturn of the annual bonus awards for the executive directors for the 2010 financial year
- Considered feedback received from investors regarding the performance conditions for the Performance Share Plan award granted in the 2011 financial year
- Considered and approved the targets for the Performance Share Plan and deferred bonus awards made in the 2011 financial year
- Considered the annual bonus targets for the executive directors for the 2011 financial year

Attendance table

The table opposite sets out the number of scheduled meetings held by the Board and its committees during the year and individual attendance by Board and committee members at those meetings.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
No. held	8	4	2	6
No. attended				
Alan Thomson ⁽¹⁾	6	-	-	-
Alistair Cox	8	-	-	-
William Eccleshare	8	4	2	6
Paul Harrison	8	4	2	6
Lesley Knox	8	4	2	6
Richard Smelt ⁽²⁾	8	1	2	6
Paul Stoneham	8	4	2	6
Paul Venables	8	-	-	-
Bob Lawson ⁽³⁾	4	-	1	-

(1) Alan Thomson was appointed to the Board on 1 October 2010 and attended all meetings held since his appointment.

(2) Richard Smelt was appointed as a member of the Audit Committee on 23 March 2011 and attended all Audit Committee meetings held since his appointment.

(3) Bob Lawson retired from the Board on 10 November 2010 and attended all meetings held prior to his retirement, except for one Nomination Committee meeting which concerned the succession of the Chairmanship and was chaired by Lesley Knox as Senior Independent Director.

BOARD EFFECTIVENESS

Understanding the business

We consider that, to function effectively, all members of the Board need appropriate knowledge of the Company and access to its operations and staff. Presentations and reports on commercial initiatives, our markets, our competitive position and the general economic indicators are given periodically to the Board. In addition, we hold Board meetings away from the head office approximately twice a year, which allows focus on local markets and operations and enables the non-executive directors to meet the local management.

Board training and development

On appointment, directors receive a formal induction, which includes visits to relevant business units and functions and discussions with senior management. These are tailored to the needs of the individual director and continue throughout their tenure.

Briefing sessions on legislative and accounting developments are held for the Board and its committees when appropriate. During the year, the Board received updates from the Company Secretary and from Freshfields Bruckhaus Deringer LLP, the Company's external legal advisers, regarding regulatory changes and new legislation, the Remuneration Committee received updates from their external advisers, PricewaterhouseCoopers LLP, regarding regulatory and governance changes and recent developments in shareholder sentiments, and the Audit Committee received updates from Deloitte on developments in accounting standards and company regulations.

Performance evaluation

This year the Board undertook an internal review of the effectiveness of the Board, its committees and individual members, having carried out an external review with Egon Zehnder in 2010. As part of the review, each director (other than the Chairman) completed a questionnaire comprising questions relating to:

- information flows, board papers and agenda composition;
- controls;
- board dynamics and relationships;
- discussion topics and decision making;
- value creation, strategy and performance; and
- the effectiveness of the Audit, Nomination and Remuneration Committees.

The completed questionnaires were sent to the Company Secretary who compiled a report on the results of the evaluation for the Chairman's consideration. The Chairman met with each of the directors individually to discuss the results of the review and their responses, and to provide constructive feedback. The Senior Independent Director also met with the other non-executive directors to appraise the performance of the Chairman, having consulted with the executive directors. The findings of the 2011 performance evaluation were then considered by the Board and certain actions will be implemented as a result.

Board and committee performance

The structure of the Board is considered to be appropriate and relationships between Board members are constructive. The Chairman provides strong leadership, encouraging open debate and challenge and the Board is appraised of all material matters. The Board is aligned

around the strategic objectives facing the business. The committees are well chaired and their structure and responsibilities are clear and appropriate.

Various actions arising from the review will be addressed in the coming year, including consideration of the use of board pack technology to facilitate meetings, increasing the Board's focus on strategy and execution, facilitating external briefings on key issues affecting the Group and providing additional training updates on governance and regulatory matters, and continued operational focus in relation to efficiency improvements. Looking forward, the Board will continue to ensure that it has the appropriate balance of skills and experience in relation to the strategic objectives of the business.

The Audit Committee also undertook its own separate review, details of which are reported in the Audit Committee Report on page 43.

Individual performance

The effectiveness of each member of the Board was reviewed in respect of the financial year. The Chairman, along with the non-executive directors, reviewed the performance of the executive directors individually against their objectives. The remuneration of the executive directors is linked to their respective performances and is determined by the Remuneration Committee based upon the result of these reviews. Further details are reported in the Remuneration Report on pages 48 to 57 of the 2011 Annual Report & Financial Statements.

The non-executive directors, led by the Senior Independent Director, met without the Chairman present to appraise his performance during the year.

Following the performance evaluation review, the Chairman is satisfied that each of the directors, who will all be put forward for reappointment at the forthcoming Annual General Meeting, remains independent in character and judgement. As William Eccleshare and Paul Stoneham will extend their terms of office beyond six years, the Nomination Committee has given their performances particular consideration, as required by the Code, taking into account the need for progressive refreshing of the Board. Each of the directors being put forward for reappointment at the 2011 Annual General Meeting continues to be effective. Their ongoing commitment to the role is undiminished and they continue to make a valuable contribution to the Board and its committees.