RNS Number : 7802I
Robert Walters PLC
28 March 2024

ROBERT WALTERS PLC (THE "COMPANY")

Annual Financial Report

Copies of the Annual Report & Accounts of the Company for the year ended 31 December 2023, the Circular to shareholders of the Company, including Notice of the Annual General Meeting ("AGM") of the Company, currently scheduled to be held on Tuesday, 30 April 2024, and the form of proxy for use at the Annual General Meeting, have been submitted to the National Storage Mechanism and will shortly be available for inspection at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism

The Annual Report & Accounts 2023 is now available on the Company's website (in pdf and ESEF format) at:

https://www.robertwaltersgroup.com/investors/financial-reports.html

The AGM Notice and form of proxy are also available on the Company's website at:

https://www.robertwaltersgroup.com/investors/annual-general-meeting.html

Hard copies of the above documents will be mailed to those shareholders having elected to receive paper copies.

In accordance with Disclosure and Transparency Rule 6.3.5, the information in the attached Appendix consisting of a Directors' Responsibility Statement, principal risks and uncertainties and related party transactions has been extracted unedited from the Annual Report and Accounts for the year ended 31 December 2023 and should be read in conjunction with the Company's final results for the year ended 31 December 2023 which were announced in unedited full text on Thursday, 7 March 2024.

Enquiries:
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APPENDIX

Directors' Responsibility Statement pursuant to DTR4

We confirm that to the best of our knowledge:

- The Group financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company together with a description of the principal risks and uncertainties that they face.

By order of the Board,

David Bower
Chief Financial Officer
7 March 2024

Principal risks and uncertainties

The Board considers the full range of business risks affecting the Group on a regular basis, and takes action to address such risks. The perceived key risks are as follows:

(i) Political factors, economic, environmental and market uncertainty

The level of candidate and client confidence in the employment market and job availability are important factors in determining the total number of recruitment transactions in a given year and are significantly impacted by political and economic turbulence and uncertainty.

Candidates are less inclined to move jobs when the number of jobs available is in decline or stagnant, which could lead to a deterioration in the Group's financial performance.

Continued global political turbulence could add pressure to local economies and have a significant negative impact on the jobs market and result in reduced hiring volumes.

Climate change (including increased extreme weather events) could result in geopolitical disruption and could have an impact on job losses and the job market.

The Group is geographically diversified, spanning 31 countries which limits the reliance on the success of any particular market. The Group also continues to develop its contract business, which provides more resilient revenue streams in the event of an economic downturn. The Group has successfully diversified into other sectors to reduce its concentration risk in the event of a downturn.

The Board's strategy when facing a slowdown in a market is to balance the cost base, such that the impact on profit is mitigated, against the expected future benefit from the retention of key staff. Historically, the Group has benefited substantially from increased operational gearing as a result of its policy of deliberately retaining key staff through economic downturns.

The Resource Solutions business is prepared to support the relocation of workers, with the opportunity to leverage off existing infrastructure within the Robert Walters Group. Live job availability is monitored to ensure action plans are documented for immediate action in response to any potential adverse impact on hiring volumes.

The Group has strong but prudent cost management. Management continuously monitor the ongoing impact of political and economic factors, and increased market uncertainty on individual markets, implementing appropriate actions as required.

The impact of climate-related environmental issues on the Group and local markets is considered on an ongoing basis. An ESG Committee meets regularly to assist the Board in identifying and assessing climate-related risks and opportunities.

(ii) Talent attraction and retention

The Group relies heavily on recruiting and retaining talented individuals with the right and diverse skill sets to grow the business.

In addition, as the Group expands its operations in emerging markets, the supply of people with the required skills in specific geographic regions may be limited.

Failure to attract and retain key employees with the required sales, management and leadership skills may adversely affect the Group's financial results.

The overall culture and leadership behaviours of an organisation has a direct influence on performance and retention.

An inability to maintain and continue to strive for a truly diverse and inclusive culture could have an adverse impact on talent attraction and retention, strategic thinking, decision-making and overall employee engagement.

A global pandemic, eco-anxiety and unusual stressful working environments could have an impact on employees' mental health, which could lead to increased staff turnover and reduced engagement.

Increased importance of ESG, alignment of personal and employer's purpose and action against climate change and flexible working, could have an impact on attraction and retention of staff flexible working, could have an impact on attraction and retention of staff.

The Group's policy of linking bonuses to profitability in discrete operating units has a high correlation to the retention of efficient and effective members of staff.

The long-term incentive schemes that are detailed in note 19 to the accounts form a key part of a wider strategy to improve levels of staff retention, particularly of the Group's senior employees.

The Group offers international career opportunities and actively encourages the redeployment of existing talent to international offices and also to establish new offices.

Other elements of the strategy to improve staff retention and maximise career opportunities include significant investment of time and financial resources in employee training and development including regular appraisals, aimed at core consultant competencies and focused on enhancing management potential.

The Group's culture and the associated processes help to increase productivity and improve employee alignment to the business. A comprehensive approach to succession planning and career development is also in place across the Group.

Our equity, diversity and inclusion (ED&I) initiatives are encapsulated as part of wider ESG targets and associated KPIs. The Board promotes, monitors and benchmarks ED&I, with initiatives and actions being a focus across all of the Group's regions.

The Group has a Global Head of Equity, Diversity & Inclusion to drive our ongoing commitment to a working environment that promotes inclusion, dignity and respect for all. A Group-wide ED&I council is in place, the purpose of which is to create a forum for staff to discuss topical ED&I issues and to ensure, as a business, we are striving to create a truly inclusive culture. All-inclusive leadership training for all managers form part of the Group's training programme.

The Group does not accept or tolerate inappropriate behaviour and has clear policies and processes to that effect.

Our approach to ESG stems from our purpose and focuses on the six pillars of our ESG Strategy: Engaging our workforce, Enhancing our ED&I initiatives, Responding to a sustainable world of work, Reducing our environmental impact, Being a responsible business and Supporting our communities. Our ESG strategy is informed by our materiality assessment and aligns to the United Nations' 17 Sustainable Development Goals (SDGs). This ensures that our actions are aligned with the latest thinking and best practice, and that we can respond to the most critical areas of concern in an effective, agile way.

There are a significant number of mental health and wellbeing initiatives in place across the Group and they are considered as high priority by management.

(iii) Competition and emerging technologies

Competition risk varies in each of the Group's main regions depending on the maturity of the client and candidate market. The emergence of new technology platforms such as web-based applications and artificial intelligence for recruitment purposes may also lead to increased competition. The release of OpenAI's ChatGPT and the increasing use of generative AI could have an impact on the recruitment process for both clients and candidates.

The development of strong commercial relationships with clients has enabled the Group to win and then maintain its contracts with large global organisations and the Group also has a significant and diverse income stream across the SME marketplace.

The Group reviews and monitors changes in technology and social media trends to ensure that it evolves appropriately. The Group continues to promote itself as a relationship recruiter operating in specialised markets, ensuring its online presence is competitive and provides a high-quality customer experience.

Through our innovation, marketing, customer experience (CX) and technology and transformation teams, we continue to identify, trial and adopt new technology to both enhance and augment the service our consultants can provide and to drive efficiencies across our business.

Time is a critical resource, and we're seeking to harness fast-evolving technological change (e.g. the deployment of AI to reduce human time given to standardised tasks) on behalf of our consultants so they can spend even more time with their clients and candidates. In 2023 we launched our OpenAI Playground, our own private and secure version of ChatGPT (enabled in our Microsoft Azure environment). Our consultants are incorporating AI to enhance job adverts and assist with sales outreach to name just a few examples.

(iv) Brand, reputation and business strategy

There is an inherent risk that the brand and reputation of the Group could be impacted by failure to maintain high-quality service levels to both candidates and clients.

The increasing use of social media increases the Group's exposure to reputational damage.

A failure to demonstrate progress in reducing our environmental impact and meeting our ESG Strategy targets could have a negative impact on the Group's reputation.

Quality control standards are maintained and reviewed for each stage of the recruitment cycle.

A 'contact us' email address is available on the Group's websites to give users and candidates the ability to provide feedback or concerns. These can then be acted upon swiftly by the Chief Strategy & Transformation Officer and local senior management. The Group has a well-defined whistleblowing process which can be accessed by candidates, clients and suppliers. To complement this and in line with best practices, the Group has appointed an independent confidential reporting service where concerns can be raised anonymously and treated with complete confidence.

The Group's long-term strategy for growth is centered around geographic penetration and discipline diversification. It is a testament to this strategy and underlying strength of the Group's brand and management team that we have delivered a resilient performance throughout the difficult market conditions.

Candidate satisfaction surveys are carried out on a regular basis, with Directors addressing any negative feedback directly with the candidate or client.

The Group has committed to the ongoing tracking and monitoring of our core ESG KPIs, including climate-relevant metrics and targets. These are disclosed in full on page 37.

(v) Candidate risk

A negative candidate experience as a result of poor candidate service, data breach or other candidate dissatisfaction, could result in candidate complaints, loss of quality candidate base or loss of referrals.

Clear processes are in place around candidate engagement and active candidate management. Quality control standards are maintained and reviewed for each stage of the recruitment cycle with all new employees receiving appropriate levels of training applicable to their role.

We have an ongoing global review dedicated to refining our engagement with candidates and to ensure that best practice candidate experience protocols are delivered consistently across the Group.

We monitor consumer trends outside of the recruitment industry and analyse how consumers' changing expectations could drive the imperative for change within our industry.

We continue to develop the ways we use Microsoft Power BI to deliver business insights and management information.

(vi) Non-compliance with contractual obligations

The Group operates under a number of complex contractual arrangements. Any non-compliance with contractual obligations may have an adverse effect on the Group's financial performance and reputation.

Contractual terms and conditions are thoroughly reviewed before signing to ensure contract provisions are fully understood, risks are fairly allocated between parties and are monitored to ensure contractual obligations are adhered to.

An escalation process exists such that contracts with nonstandard terms are reviewed and approved by the Chief

An escalation process exists such that contracts with nonstandard terms are reviewed and approved by the Chief Legal Officer and Chief Financial Officer as appropriate.

(vii) Non-compliance with laws and regulations and regulatory environment

The Group operates in a number of diverse jurisdictions and has to comply with numerous domestic and international laws and regulations.

Any non-compliance with legislation or regulatory requirements may result in legal penalties, non-renewal or revocation of a local business licence or financial loss which could have a detrimental effect on the Group's financial performance and reputation. Specifically, the landscape of carbon reporting, data protection and use of AI is rapidly changing, increasing the risk of non-compliance with reporting requirements.

Any change in the regulatory environment, particularly impacting employment legislation for both candidates and clients, could have a detrimental effect on how the Group operates and the Group's financial performance. Any unanticipated change or implementation of climate policies may result in increased costs and a possible threat to licences to operate if the Group is unable to keep up with legal requirements.

To ensure compliance, our legal department works with leading external advisers, as required, to monitor potential changes in employment legislation across the markets in which we operate.

The Group's legal department, together with local legal expertise, remains up to date with any proposed regulatory changes, allowing the Group sufficient time to assess the impact and implement processes to minimise the exposure and maximise opportunity.

A log of licences and renewals is maintained. There is formalisation of regulatory reporting and escalations with legal oversight of licensing processes, and the Group makes use of external counsel where necessary.

The Group has set environmental targets and corporate strategy to reduce carbon emissions and has made disclosures consistent with the TCFD recommendations and recommended disclosures. Appropriate disclosures are made where they are considered to have a material impact on business strategy, operations or the environment. Although the Group does not operate in a sector with a significant environmental impact, the Group recognises its requirements and embraces environmental stewardship.

(viii) Data breach and cyber security

A data breach, cyber-attack or loss of confidential and competitive information could have a material impact on the Group's financial results and an adverse impact on the operations and the reputation of the Group.

The Group maintains a comprehensive IT security policy. Though it is not possible to eliminate all risk, the policy covers all relevant areas of IT security, and is reviewed on a regular basis to ensure it continues to robustly support business developments.

Third-party advisers are used to perform penetration tests on major systems and operations.

All candidate and client information is held securely with restricted access and with data protection rules in place.

Appropriate guidance and training on the security and handling of both manual and electronic documents, including confidential and sensitive data is available to all staff.

The Group has a dedicated Chief Technology Architect and Group Information Security Officer with specific remits to consider and ensure that appropriate and reasonable controls are put in place, particularly in respect of cyber related threats and data breach.

The Group has appointed a Data Protection Officer to oversee the handling of personal data and compliance with Data Protection laws.

(ix) Reliance on technology infrastructure

The Group is reliant on its technological infrastructure for day-to-day operations and for delivering client and candidate services.

A critical infrastructure or system disruption could have a material impact on the Group's financial results and an adverse impact on operations and the reputation of the Group.

Climate change could result in more extreme weather events, which could cause damage and disruption to the Group's technology infrastructure.

The Group continues to review and improve its business continuity and disaster recovery plans to mitigate against any critical infrastructure disruptions. The Group has invested in technology and innovation, enabling effective ongoing hybrid working.

Third-party advisers are used to perform penetration tests on major systems and operations.

A change management team is in place to ensure that appropriate consideration is given to all change requirements, including a risk analysis of the requirement, and appropriate plans are developed to deal with any potential critical disruptions.

Our disaster recovery processes, which are regularly reviewed, ensure the Group is able to mitigate natural disaster risks (e.g. floods, earthquakes), and the Group is also geographically diversified. In addition, all staff have the tools and flexibility to work remotely as required.

(x) Financial risk

Foreign currency risk

In the course of its core business, the Group transacts in a number of functional currencies. Any unfavourable movement in the foreign exchange rates may have an adverse effect on translation of overseas operations' local currency earnings, and subsequently the Group's Pounds Sterling financial results.

Revenues and costs are in their functional currencies in the local entities, which minimises the Group's transactional exposure.

The Group continues to monitor the sensitivity to foreign currency fluctuations through performing regular sensitivity analysis and reducing exposure wherever possible.

Liquidity risk

An adverse cash position, or the inability to access capital/funding could result in an inability to pay creditors and to fulfil day-to-day operations and requirements.

The future success of the Group could be affected if the Group fails to align its capital planning with its business strategy.

Cash flow and working capital forecasts are prepared and reviewed regularly to ensure the Group remains in a strong balance sheet position and a detailed plan for any growth opportunities is created before any deal is executed to ensure that the appropriate finance is in place.

Credit risk

There is an increased uncertainty over cash flows due to economic pressures, which could increase the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted a policy of only dealing with counterparties that are deemed creditworthy and that are considered to have adequate credit ratings.

Credit exposure is controlled by counterparty limits that are reviewed and approved by management.

The Group's exposure and the credit ratings of its counterparties are regularly monitored.

(xi) Transformation, change and management of significant projects

Investing in technology, transformation and innovation is vital for the Group to remain an industry-leading organisation and in achieving its strategic objectives.

Poor governance and management of our significant global projects could result in increased costs, inefficiencies, reduced employee engagement and risk to business continuity.

A Technology & Transformation Investment Board, including members of the Operating Board and the Transformation and Portfolio Director, reviews and approves all significant technology and transformation investments before they begin.

A Change Advisory Board is in place, which ensures that appropriate consideration is given to the introduction of changes to our live environments.

A monthly steering committee/weekly core project team meeting is held with representatives from key areas involved or impacted by the project/program. The steering committee/project team reviews progress against the current program objectives, spend and approves any significant changes to both. Regular program team meetings are conducted to manage the day-to-day activities of the program. Other governance sessions include product counsel and program, product, technology and business working groups.

Business change plans are in place to actively communicate and engage with employees throughout the process of transformation and change and include ongoing evaluation and feedback to ensure the impact of any change is continually monitored and improved. This includes the use of change champions in each region, user feedback surveys, quarterly updates, relevant training and communication channels with key stakeholders. The outputs from these activities are used to support evidence-based decision making.

Related party transactions

Transactions between Robert Walters Plc and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The remuneration of key management personnel who are deemed to be Directors as been disclosed in the Report of the Remuneration Committee on pages 74 to 97.

During the year, there were no related party transactions included within administrative expenses (2022: nil)

There were no outstanding balances at 31 December 2023.

All transactions were undertaken on an arms-length basis.

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