

STRATEGIC REPORT

The Directors present their Strategic Report on Reed Online Limited ("Company") for the year ended 30th June 2020.

The Company's principal activity is the provision of internet recruitment and training services offering online vacancy advertising, curriculum vitae access and course advertising.

The Company's trading results are set out in the Income Statement on page 13.

During the year, the business' turnover declined to £50,246,000 (2019: £54,548,000) but operating profit increased to £2,142,000 (2019: £114,000). The directors remain focused on providing the best user experience for jobseekers and recruiters in the UK market, and to invest substantially to support this long-term goal.

The balance sheet on page 14 of the financial statements shows that the Company has net assets of £27,379,000 at the year-end (2019: £25,512,000).

There were no significant changes to the Company's principal activities in the year under review, and the directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Key performance indicators

	2020	2019
Operating profit margin	4.3%	0.2%
Co-Member cost ratio	37.9%	33.8%
Co-Members (average number)	343	322
Current ratio	2.99	2.81

No other events took place post 30 June 2020 which require disclosure.

Notes to key performance indicators

- Operating profit margin calculated as operating profit as a percentage of turnover.
- Co-Member cost ratio represents the staff costs as a percentage of turnover. The percentage is in line with our expectations.
- Co-Members represents the average number of permanent staff employed by the business during the year.
- Current ratio is derived by dividing current assets by current liabilities, and is a good indicator of a Company's ability to meet short-term debt obligations; the higher the ratio, the more liquid the Company is. The current ratio is in line with our expectations.

Principal risks and uncertainties facing the Company

Covid-19 risk and business response

The global pandemic caused by Covid-19 resulted in profound effects within the UK employment market, in which the Company primarily operates. Jobs advertised fell to 40% of the previous year's volume across the UK online recruitment market in April, before making a partial recovery to approximately 55% by the end of June. Job postings in both core segments, recruitment consultancies and employers who advertise directly, fell significantly at the start of the crisis.

Reflecting upon the 60 year history of the Reed Global group in the UK recruitment sector, the Company firmly believes it acts as the recruiter's recruiter. With this in mind, the Company launched unparalleled support for its customers, through contract extensions, deferred payment plans and temporarily uncapped usage for recruitment consultancy customers. The Company's intention was to help as many customers as possible in this significantly impacted sector to weather the storm.

STRATEGIC REPORT (CONTINUED)

Covid-19 risk and business response (Continued)

To mitigate the impact caused by the pandemic, the Company swiftly took a series of measures. As a digital business, the Company was well equipped to adopt a fully-remote way of working with little business disruption, a posture it adopted shortly prior to the announcement of formal lockdown policies by the UK government. In order to mitigate costs, the Company substantially reduced variable costs, including out of home and digital marketing, and renegotiated or cancelled some supplier contracts. Finally, the Company utilised the UK government's Coronavirus Job Retention Scheme, placing on furlough a proportion of its employees and thus reducing staff costs.

The measures taken were necessary but undoubtedly challenging, particularly those that impacted Co-Members directly. Nevertheless, these rapid changes allowed the Company to support customers and adjust costs to ensure it could robustly withstand the financial pressures of Covid-19, and be positioned for future growth.

Financial risks facing the Company

The directors have reviewed the nature of the Company's business and the assets and liabilities contained within the balance sheet and consider the only relevant financial risk to be credit and liquidity risks. Credit risk is mitigated by credit checking clients and a strong credit control function. Where the risk posed by an individual client is too high the Company requests that the client pre-pay for its services. Bad debt exposure is minimised due to our diverse spread of clients.

Liquidity risk is managed through a combination of three factors. First, strong credit control procedures are in place, as addressed above. Second, the Company carefully manages costs and its credit terms with suppliers, balancing equitable treatment of suppliers with the need to conserve cash. Finally, the Company participates in cash pooling arrangements with the wider Reed group, ensuring that a cash balance sufficient to meet outgoings for approximately 60 days is always available.

Section 172 Statement

This Statement sets out how the Board of Directors of Reed Online Limited ("the Board") comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted the Board's activities and decision making during the financial year ending 30th June 2020 ("FY20").

Section 172 of the Companies Act 2006 states that Directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of the members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the Company's employees,
- c) the need to foster the Company's business relationships with suppliers, customers, and others,
- d) the impact of the Company's operations on the community and the environment,
- e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly between members of the Company.

These duties are designed to ensure that Directors act in such a way as to promote the long-term success of the Company by delivering and creating sustainable shareholder value as well as contributing to wider society.

The REED Group ("REED") comprises Reed Global Limited and its subsidiaries, including Reed Online Limited.

STRATEGIC REPORT (CONTINUED)

Section 172 Statement (Continued)

All Reed Online Directors have received training on their responsibilities and accountabilities. They are also supported by the Company Secretary in terms of how they carry out their duties under Section 172. The Board implemented standardised Board papers and a formal approach to declaring conflicts of interest to ensure Directors act fairly and in the interests of the relevant company. As a family business, the requirements of Section 172 are well understood and adhered to by Directors due to the nature, ethos, purpose, and vision of the organisation.

Principal Decisions have been defined and formalised as part of Company Board meetings. REED has adopted a two tier approach whereby all decisions with a specified material impact or which could lead to national media attention are considered in relation to Section 172 by Directors, with certain decisions also being accompanied by written evidence that the principals of Section 172 have been considered.

Engaging with stakeholders to deliver long term success is a key focus for the Board. The Board is very aware of the environment in which the Company operates and, in particular, the stakeholders it needs to engage with including but not limited to customers, users, employees, suppliers, local communities and shareholders. A Stakeholder Map, identifying the key internal and external stakeholders and how the Company interacts with them, has been created and may be found on the Company's website.

The formal training provided to Directors, the standardisation of Board papers, the introduction of a Stakeholder Map, and the implementation of Principal Decisions have ensured the Board understands the importance of its key stakeholders.

A number of Principal Decisions were taken by the Board across FY20. Examples of these decisions include the approval of the 2020 Strategic Plan and Investments and the Reed Online response to the Covid-19 pandemic. The latter required the Company to implement significant cost reduction steps including negotiations with suppliers to reduce costs, a temporary reduction in salaries, cuts to marketing budgets in response to changing demand for jobs, and accessing Government support schemes such as the Coronavirus Job Retention Scheme and the deferral of VAT and PAYE liabilities.

In making these Principal Decisions, the Company's main objectives were to ensure continuing high standards of business conduct and to protect the long-term viability of the business to the benefit of all stakeholders. This stakeholder engagement was demonstrated below in the Company's response to the Government implementing a blanket lockdown during the Covid-19 pandemic.

The Company actively engaged with Co-Members to assess how furlough could be most appropriately utilised to protect as many jobs as possible. Reduced hours were also implemented for the remaining Co-Members to help protect jobs, and the Company quickly adopted a fully-remote way of working whilst supporting Co-Members to maximise their effectiveness.

High-levels of client customer service remained paramount during the pandemic, and the Company launched unparalleled support for its customers, through contract extensions, deferred payment plans and temporarily uncapped usage for recruitment consultancy customers.

To support suppliers during the pandemic, the Company continued to champion the Prompt Payment Code to help eliminate unfair payment practices to small businesses. Local communities and livelihoods were also supported by the launch of the Keep Britain Working campaign, co-founded by James Reed, Company director and REED Chairman.

This tailored approach minimised as far as possible the impact of Covid-19 on the Company and its stakeholders. All other Principal Decisions taken by the Company during the year went through a similar process of stakeholder engagement. The impact of Principal Decisions will be monitored in future Board meetings to continuously assess their effect on the Company and its stakeholders in the medium to long-term.

Reed Online is committed to being an employer of choice and to ensuring Co-Members' wellbeing and voice are front of mind. Reed Online operates programmes to listen to the views and feelings of Co-Members, which include monthly surveys that are facilitated centrally. These ensure that Directors of Reed Online have the information necessary to act in the interest of their employees. The Company implemented a new communications tool, Slack, to enable cross business communications, while a regular company-wide "All Hands" sessions were held to update Co-Members on Company progress. The business adopted a fully remote way of working in response to the pandemic, making use of video conferencing technology to substitute for face-to-face interactions during the pandemic.

STRATEGIC REPORT (CONTINUED)

Section 172 Statement (Continued)

During FY20, the Company continued to invest in its Customer First strategy, focused on the development of customer relationships. In support of this, the Group Customer Experience Officer championed engagement with customers and the importance of the customer view in decision making. This is demonstrated through various customer KPIs presented to the Board and has helped strengthen the importance of positive business relationships at Board level. To this end, the Company grew its Customer Success team to provide industry-leading support to key customer groups.

Reed Online also maintains Carbon Neutral status, which focuses on the environmental impact of the business.

REED has a number of successful engagement schemes which have been developed during the last financial year. These include:

Success with Co-Members

James Reed made three pledges on International Women's Day 2018, which the business made good progress against during the financial year:

1. I pledge to introduce talks, seminars and webinars once a quarter, which will be run by successful women, to encourage and inspire the women in the business.
2. I pledge to grow and sustain a female mentoring system to provide the women who work at REED with a system of support and advice.
3. I pledge that REED will seek to have women make up 50% of its senior leadership team over the next 3-5 years. They will be there because they are good at their jobs.

Following feedback received from Co-Member satisfaction surveys, Reed Online introduced enhanced Maternity Pay benefit across the business. Co-Members voted REED a great place to work with over 4.1 stars on Glassdoor, and REED was the highest ranked recruitment company and 44th overall in Glassdoor's *Best Places to Work in the UK 2020*. James Reed was voted one of the Top CEOs in 2019 on Glassdoor for the second year running.

Success with Environment and Communities

REED has been an environmental champion for a long time. REED's many environmental achievements have been set out in the Reed Global Ltd (10169598) annual report under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Stemming from earlier feedback provided by Co-Members, REED installed beehives on the roof of the Reed Online office in Central London. Products from the bees were shared with all Co-Members during FY20.

REED publishes its tax strategy on-line and HMRC have categorised the REED group as low tax risk. REED was invited by BEIS to Chair a new cross-government group designed to protect workers and hirers operating in the flexible labour market. The work of this group has been referenced by HM's Government in the Annual Labour Market Strategy and REED was also invited to provide information into the Independent Review of the Modern Slavery Act.

In furtherance of REED's charitable ethos, Reed Online Co-Members had the opportunity to nominate a charity to receive a priority application to the Big Give Christmas Challenge 2019.

Success with Suppliers

Reed Online operates a UK supply chain to deliver services to clients and users. Reed Online has a due diligence process to ensure a compliant supply chain. Reed Online champions the Prompt Payment Code to help eliminate unfair payment practices to small businesses. Across FY20, Reed Online averaged a 28-day payment period to suppliers.

Pensions

The Company provides access to the Group Personal Pension Plan (the Plan) which was introduced on 1st April 2013.

STRATEGIC REPORT (CONTINUED)

Environment

The Company operates within the REED Group's policy with regard to the environment. This is to ensure that it understands and effectively manages the actual and potential environmental impact of its activities. The Group's operations are conducted such that it complies with all legal requirements relating to the environment in all areas where it carries out its business. During the period covered by this report, the Group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

The Group's Streamlined Energy & Carbon Report may be found on the Company's website.

Modern Slavery Statement

The Board has approved the Group's policy on Anti-Slavery and Human Trafficking, which may be found on the Company's website.

Approved by the Board of directors on 22 December 2020 and signed on its behalf by:



Timothy Lewis Crowther BA, ACMA
Director