

Remuneration policy



Remuneration Policy

Executive Board and Supervisory Board

Introduction

The remuneration policy of Randstad for the Executive Board and the Supervisory Board supports the long-term development of the company in a highly dynamic environment, while aiming to fulfil all stakeholders requirements and keeping an acceptable risk profile. In the explanation of our remuneration principles, we will therefore apply different perspectives in order to optimally balance all relevant interests:

- Organizational perspective: how is the remuneration policy aligned with the mission, vision and long term strategy of Randstad?
- Internal perspective: is this remuneration policy consistent with the remuneration policy of Randstad overall?
- External perspective: does the remuneration policy provide for a competitive remuneration in relation to the external world?
- Stakeholder perspective: does the remuneration policy take into account the interests and sensitivities of the various stakeholder groups and does it strike a fair balance?

This remuneration policy does not materially deviate from the previous one was adopted in 2017. Adjustments that are made aim to provide, in line with the recent legislation, more insight into the considerations and steps that have led up to our remuneration structure and remuneration levels.

1. Executive Board remuneration perspectives

1.1 Perspectives

1.1.1 Organizational perspective

Randstad acts as an intermediary between those who have work that needs to be carried out and those who seek work. Our clients entrust us with a responsibility to help optimize their staffing, and individuals entrust us with their ambitions and personal information to help them have (meaningful) work experiences and a fair income. In this setting, we are working towards our ultimate goal to touch the work lives of 500 million people by 2030, while simultaneously living up to our core values and Human Forward promises. We expect to be held accountable on all decisions we make on this journey.

Our mission is to reshape the world of work. We strive to achieve this through supporting people and organizations to reach their true potential and to create long term value for all our stakeholders: shareholders, employees, clients, talent and society. With regard to remuneration we believe that next to three hygiene factors (internal alignment, competitiveness in the market and explainable to stakeholders), this requires us to focus on three additional key elements: fairness, flexibility and long term focus. We have grouped this under what we call our 'organizational perspective'.

- **Fair**
 - To underline our commitment to inclusiveness
 - To enforce a high level of transparency
 - To reflect our awareness that we are deeply rooted in society

This is reflected – amongst others – in our extensive comparison of internal and external remuneration figures to allow for well informed decisions, our disclosure of pay-ratios and our open dialogue with stakeholders on this topic.

- **Flexible**
 - To reinforce our focus on performance
 - To allow adjustment of performance criteria to increase success in our journey towards our ultimate goal
 - To enable us to let our remuneration costs 'breathe' with organizational performance
 - To recognize that we are (highly) susceptible to macroeconomic movements and protect us from harmful effects

This is reflected – amongst others – through a flexible and scenario based bonus scheme that aligns our variable remuneration with key business performance indicators that are derived from our strategy and business plans. Where appropriate we also apply relative measures (e.g. relative TSR in our long term incentive plan (Performance Share Plan, PSP) to reflect this.

- **Long-term focused**
 - To boost our ambition to redefine our industry and to align our (time) horizon with our ultimate goal

This is reflected – amongst others – through our variable remuneration where our short term (bonus) objectives are aligned with our long term goals and our PSP is dependent on the achievement of goals over multiple years. These goals are again aligned with our strategy and derived from our strategic objectives. Furthermore our PSP is shared based and has a holding requirement after vesting to reinforce

alignment of our Executive Board members with the long term interests of our shareholders.

1.1.2 Internal perspective

Our internal perspective provides us with insight into internal pay ratios in relation to differences in job content and job location. We find this perspective important, as we aim to reward employees consistently for the daily responsibilities they take on at Randstad at all levels in the organization.

As a first step, to ensure a meaningful comparison, we apply a globally consistent method to determine job weight, and we subsequently cluster jobs into grades of similar job weight. Secondly, we look at the internal remuneration/pay levels per grade per location to correct for differences in cost of living between locations.

When applying this perspective at Randstad, remuneration levels for specific job grades within a location generally show a convex growth curve related to increasing responsibilities. We also expect a reasonable premium for Executive Board members, which reflects the fact that accountability and responsibility for one's actions within Randstad lie further apart for these roles in a context where public visibility is higher, while severance protection (under Dutch law) could be considered lower.

Finally, we also review our internal pay ratio between the average pay of Randstad employees vis-à-vis the average pay of the CEO and the Executive Board members on an annual basis. When reviewing these ratios, we focus mostly on relevant historic trends, as the percentages themselves are not always meaningful in a global context (e.g., countries with lower minimum wages may distort the picture).

The internal pay ratio between the average pay of Randstad employees vis-a-vis the average pay of the CEO and the Executive Board members is calculated based on the average remuneration (including variable pay and long-term incentives) of a reference group (our 14 largest countries and the corporate functions encompassing the vast majority of Group revenue and total headcount) vis-a-vis the base salary, annual bonus and long term incentive costs of the Executive Board members.

1.1.3 External perspective

Our external perspective on remuneration provides us with insight into external pay ratios. We find this perspective important, as we compete with other companies for strong executive talent. To attract, motivate and retain individuals in this group, our remuneration package should always be competitive.

To ensure a meaningful comparison with our competitors, we have selected a group of companies (our 'peer group') that represents our market for executive talent. This peer group is composed of international staffing and business services companies, reflecting Randstad's size, profile and international scope. As a secondary comparison, we take the AEX index as a reference (excluding Royal Dutch Shell, Unilever, ArcelorMittal, Vopak, Galapagos, and the financial services companies), acknowledging the fact that this index is frequently applied by other parties due to its high public recognizability.

The companies in our peer group are:

Accor	CGI	Hilton Worldwide	Recruit Holdings
Adecco	Compass Group	Intertek Group	Robert Half
Atos	G4S	Manpower Group	Securitas
Bureau Veritas	Equifax	Michael Page Int.	Sodexo Group
Capgemini	CGI	Kelly Services	TUI
Capita	Hays	Rentokil Initial	

1.1.4 Stakeholder perspective

We recognize that executive remuneration is a topic that requires an optimum balance between all stakeholders' interest, such as shareholders, the executive board, employees, talent, customers and society at large. This also requires a regular and in-depth dialogue with relevant parties.

Although we strive for consensus, this should not be at the detriment of the effectiveness of our remuneration policy. In those cases where the Supervisory Board perceives some interests to be too incompatible with others, it will take its responsibility towards shareholders and explain its choice. This approach enables us to have a clear story line on remuneration that strikes a fair balance between the views and interests of these various stakeholder groups, while recognizing the Supervisory Board's responsibility with regard to this topic.

2. Executive Board remuneration elements

2.1 Overview of remuneration elements

The remuneration of our Executive Board has four main elements, which are:

1. Base salary
2. Short Term Incentive
3. Long Term Incentive
4. Pension

The relative value of each element is the same for all the Executive Board members and absolute figures only differ based on the different base salary levels for the different roles within the Executive Board. As base salary forms the basis for the other remuneration elements, the absolute remuneration levels differ per Board member, while keeping the (relative) mix equal. The table below shows the value of these four remuneration elements both at target and at maximum level upon award.

	Target value	Maximum value
Base salary	100%	100%
Short Term Incentive	70%	100%
Long Term Incentive	100%	217,5%
Pension	27%	27%
Total	297%	444,5%

2.2 Base salary

Base salary levels are decided upon in light of the different perspectives that were outlined in the previous section. In alignment with Randstad's size and profile, compared to the other companies included in the international labour market peer group, base salaries of the Executive Board members are set at between the median and 75% percentile level.

The base salary levels may be adjusted annually within reason depending on market movements and base salary adjustments of senior management.

2.3 Short Term Incentive

The target Short Term Incentive (STI) opportunity is equal to 70% of base salary. In case of outperformance a maximum STI opportunity of 100% of base salary can be achieved. If performance is below a predefined minimum (threshold) level, no STI will be paid out. In calculating the bonus, a sliding scale between the minimum level and the maximum level is used.

To strengthen teamwork and focus on overall company goals the STI is fully based on the joint performance of the Executive Board. The largest part of the annual bonus (75%) is related to a certain number of financial targets. The choice and weight of these targets depend on the specific business objectives of each year. This is based on a quantified scenario based proposal by the Executive Board in alignment with the long term strategic plan. The Supervisory Board ultimately selects the appropriate annual targets from an agreed menu of financial targets (revenue growth, relative revenue performance versus the market, gross profit margin, EBITA margin, EPS, incremental conversion or recovery ratios, net debt, leverage ratio, free cash flow and Days Sales Outstanding).

To further underline joint responsibility the Supervisory Board sets annual strategic and operational objectives. This bonus opportunity will be a maximum of 25% of base salary. All set targets are disclosed in the remuneration report unless they are deemed share price or competition sensitive by the Supervisory Board.

In order to enhance the Executive Board's long-term focus and share ownership in Randstad, 25% of the net STI (paid out based on realized performance) will be paid out in Randstad shares. After three years, these shares will be matched 1:1 subject to a sustainable performance of the company during the previous three years and at the discretion of the Supervisory Board. In this context, sustainable performance means that during these three years, Randstad has progressed to achieve its strategic and financial targets, made a profit, and paid dividends to shareholders. The assessment of the Supervisory Board as to whether this sustainable performance was realized will be disclosed in the annual report. Members of the Executive Board are allowed to voluntarily convert up to 50% of their net annual bonus according to the same matching principles. Randstad shares need to be held for at least 5 years after the conditional award date, except for any share sales needed to settle related tax liabilities.

2.4 Long Term Incentive

To enhance alignment with the value creation objectives of shareholders, performance shares are granted to the members of the Executive Board on an annual basis. The grant is dependent on relative Total Shareholder Return (TSR) and strategic, mostly non-financial Key Performance Indicators (KPIs).

The weighting for the long-term incentive is balanced at 65% TSR and 35% strategic KPIs to reflect our strong focus on long term success while simultaneously underlining our commitment to financial performance.

TSR reflects the return received by a shareholder and captures both the change in the company's share price and the value of dividend income, assuming dividends are reinvested in the company. Relative TSR is an appropriate measure, as it objectively measures the company's financial performance and assesses its long term value creation as compared to other companies in the sector.

We assess our TSR performance in a relative manner against a number of peer companies. This list differs somewhat from the list used as remuneration benchmark for the external perspective, as in this case not the size and complexity of the company but the sensitivity of the share price in relation to the economic cycle is the relevant commonality to take into account. We call this group of companies our international TSR performance peer group and it contains the following companies:

Adecco SA	Rexel Group SA	On Assignment, Inc
Kelly Services Inc	Office Depot Inc	G4S plc
Hays plc	Sodexo SA	Compass Group PLC
Manpower Inc	Capita Plc	Securitas AB
Robert Half Int. Inc	Recruit Holdings Co., Ltd	WW Grainger Inc
ISS A/S	Michael Page Int. Plc	FedEx Corporation

TSR performance for the companies of the international TSR performance peer group is calculated based on their 'home/primary listing'. TSR data are compiled and reported by a reputed external data provider.

The related payout range for our relative TSR performance is as follows.

Rank:	19-11	10	9	8	7	6	5	4	3	2	1
Pay-out %:	0	50	75	100	100	125	150	150	175	200	200

Given the relevance of strategic KPIs for Randstad's business, ambition, and long-term viability, five non-financial targets are added by Supervisory Board, which are directly linked or derived from the long term goals and overall strategy. These targets are set at the start of the three-year vesting period and disclosed in the remuneration report unless they are commercially or share price sensitive.

Performance shares are granted in the open period following the publication of the Group's fourth-quarter financial results in February. The number of shares will be calculated based on the fair value of the Randstad share as at the grant date in February. The fair value assuming on-target performance is equal to an amount of 100% of the base salary for all Executive Board members alike. Performance shares need to be retained for at least two years after vesting, except to the extent necessary to settle any related tax liabilities. Prior to the grant, and following the advice of the Remuneration Committee, the Supervisory Board analyses the possible outcomes of the allocation by looking at a number of scenarios for the performance period.

If a member of the Executive Board resigns before the vesting date, conditional grants of performance shares will in principle lapse or, for example, in the case of retirement due to reaching pensionable age, vest pro rata related to the performance period in service.

All current outstanding Long Term Incentives are in alignment with this policy as this remuneration policy holds no material changes compared to the previous version.

2.5 Pension and other benefits

The pension arrangements for members of the Executive Board are based on defined contribution. Randstad provides an annual contribution of 27% of base salary to the schemes of Executive Board members. For the France-based member, this contribution includes compensation to cover health and long-term disability insurance, life insurance, contributions to any other pension scheme, and certain social security charges. For the US-based members, this contribution includes compensation to cover health and long-term disability insurance, life insurance, and contributions to the 401(k) plan or any other pension scheme. The company has no specific early retirement arrangements in place for Executive Board members.

Additional arrangements include expense and relocation allowances, a company car or car allowance, and health and accident insurance.

3. Governance

3.1 Introduction

The Remuneration Committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy. The Supervisory Board decides on its proposals and, in the event of material policy changes, submits these proposals to the General Meeting of Shareholders for adoption, at least every four years. Approval of these proposals requires a 75% threshold of shares voted during the meeting. The workers' council is organizationally embedded within the organization of Randstad Netherlands and thus does not play a role in setting the remuneration policy of Randstad Group.

3.2 Service agreements

In line with the relevant regulation, Executive Board members have a fixed term four-year executive service agreement with the company, which supersedes any previous employment agreements. This agreement shall expire by operation of law after these four-years unless an Executive Board member is reappointed for a next fixed term of four years.

3.3 Adjustment and claw-back

If a variable remuneration component conditionally awarded in a previous year would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the performance period, the Supervisory Board has the power to adjust the value upward or downward. The Supervisory Board may also recover from the Executive Board any variable remuneration awarded on the basis of incorrect financial or other data. These provisions are included in the annual bonus and grant letter.

The Supervisory Board may, at its sole discretion, deviate from the rules and the agreement of the performance share plan, in accordance with the principles of reasonableness and fairness. Should the Supervisory Board use this discretion, it will disclose and elaborate its decision in the remuneration report.

3.4 Severance arrangements

In the event of severance, a maximum of one year's annual base salary, in addition to a 12-month notice period, applies to all Executive Board members.

4. Views on Supervisory Board remuneration

The responsibility of the Supervisory Board is to safeguard the long-term success of the company and the fulfilment of its purpose, taking into account the interests of shareholders and other stakeholders, such as clients, employees, clients, talent and society.

Our Supervisory Board remuneration structure is primarily based on the joint responsibility the Board holds for the future of the company. However, it also reflects the time each Supervisory Board member is expected to spend on properly fulfilling their role. This means that a premium is deemed appropriate for specific activities, such as Chair or Committee roles within the Supervisory Board.

We believe that a true and unbiased supervisory role, which takes into account the interests of all stakeholders, is best served by the absence of incentives. As such, Randstad's Supervisory Board members receive no variable payments, neither directly (target-related) or indirectly (through share-based payments). Performance of the Supervisory Board is safeguarded through yearly Board evaluations and the (re)appointment process.

In a rapidly changing industry, which is faced with multiple global trends and developments, Randstad needs Supervisory Board members with a diverse mix of knowledge, skills, expertise and capabilities. In addition, as a global market leader, Randstad needs Supervisory Board members with a broad international background. We therefore need to ensure that our remuneration levels are competitive and enable us to attract, motivate and retain candidates with a diverse mix of expertise and international backgrounds.

To determine competitive remuneration levels, we compare our remuneration with that of other, similar companies. As a Dutch listed company, we primarily focus on the AEX index as a reference. As an extra check, we also compare our Supervisory Board remuneration with the same peer group that is applied for our Executive Board. This peer group is composed of international staffing and business services companies, reflecting Randstad's size, profile and international scope. Our aim is to compensate our Board members around the median level of the AEX benchmark. The comparison with AEX peers reflects our commitment to best corporate governance practices in the Netherlands, recognizing our place in society while also maintaining an (internal) reference vis-à-vis Randstad's Executive Board remuneration. The secondary comparison against our (more international) peer group also holds value, but to a lesser extent, as different board structures (one- vs. two-tier boards) greatly influence remuneration levels.

5. Supervisory Board remuneration elements

5.1 Type of remuneration

All remuneration of the Supervisory Board members is in cash only. They do not receive any performance-related compensation or shares, and do not accrue any pension rights with the company.

Members of the Supervisory Board who hold shares in the company are only allowed to do so as long-term investments. They adhere to the company's insider dealing rules. Randstad does not grant loans or guarantees to Supervisory Board members.

5.2 Level of remuneration

The table below displays the level of remuneration for each role within the Supervisory Board and specific Committees.

- **Supervisory Board**
 - Chair € 110,000
 - Vice-Chair € 90,000
 - Member € 75,000

- **Audit Committee**
 - Chair € 12,000
 - Member € 8,000

- **Remuneration Committee and Governance & Nomination Committee**
 - Chair € 9,000
 - Member € 7,000

Compared to the AEX median, our Supervisory Board remuneration can be expressed as follows:

	Supervisory Board	Audit	Remuneration
Chair	100%	60%	65%
Member	115%	63%	74%

5.3 Expense allowance

Supervisory Board members receive a fixed annual expense allowance. The level of this allowance has been set at € 3,000 net for the Chair and at € 2,000 net for members. This allowance aims to cover (smaller) business-related expenses that would otherwise create a disproportionate administrative burden.

5.4 International travel allowance

Supervisory Board members receive an attendance fee of € 1,500 per meeting when cross-border travel is required in order to attend a Supervisory Board meeting. This allowance aims to recognize the differences between Supervisory Board members in terms of travel time and to ensure our ability to attract and retain international Supervisory Board candidates.

6. Governance

6.1 Appointment

Members of the Supervisory Board are appointed by the Annual General Meeting of shareholders for a four-year term and can be reappointed for one more four-year term. In exceptional cases, they can be reappointed for two more terms of two years.

6.2 Adoption, revision and implementation

The Remuneration Committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy. The Supervisory Board decides on its proposals and, in the event of material policy changes, submits these proposals to the General Meeting of Shareholders for adoption, at least every four years. Approval of these proposals requires a 75% threshold of shares voted during the meeting. The workers' council is organizationally embedded within the organization of Randstad Netherlands and thus does not play a role in setting the remuneration policy of Randstad Group.

