new connections

annual report 2016

randstad

contents of the annual report 2016 of Randstad Holding nv

The following sections are considered to be part of the management report: overview, value proposition & strategy, performance, remuneration report and corporate governance.

overview

2016 at a glance

Acquisition of Monster Worldwide to accelerate our digital strategy

Randstad renewed its partnership with Voluntary Service Overseas

› 49

Acquisition of Proffice, Obiettivo Lavoro, Careo, and twago, and intended acquisition of BMC to strengthen our overall businesses

Randstad Innovation Fund again invested in HR-technology companies

› 35

Randstad Williams Engineering Academy welcomed new students

› 37

Randstad launched public offer on all shares of Ausy, aiming to strengthen our European Professionals business

25 countries participated in the Randstad Employer Brand Research

› 37

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Randstad again included in Dow Jones Sustainability Index

› 53

Workplace Pride
International platform for LGBT inclusion at work

Randstad improved its standing with regard to LGBT-inclusive activities in Workplace Pride

› 45

Eight Randstad executives from around the globe named in SIA's Global Power 100 – Women in Staffing list

› 45

Flexibility@work 2016 focused on the 'Future of Work in the Digital Age'

› 47

Big Data contributed substantially to the increase in permanent placements in several countries

key figures

Revenue in € million	Underlying EBITA margin (%)	Adjusted net income in € million
20,684.1 › 62	4.6 › 65	688.9 › 66
Free cash flow in € million	**Leverage ratio**	**Proposed dividend per ordinary share (€)**
464.6 › 68	0.8 › 68	1.89 › 78
Number of permanent placements	**Number of candidates working (on a daily basis)**	**Randstad outperformance (%)**
183,900 › 36	626,300 › 61	67 › 44
% of women in senior leadership positions	**Number of VSO volunteer hours**	**Number of employees trained in business principles**
45.2 › 45	11,000 › 49	13,000 › 51

core data

in millions of €, unless otherwise indicated	2016	2015	Δ
Key financials			
Underlying [1]			
Revenue	20,684.1	19,219.2	8%
Gross profit	3,934.2	3,594.5	9%
EBITA [2]	946.7	861.9	10%
Actual			
Revenue	20,684.1	19,219.2	8%
Gross profit	3,934.2	3,594.5	9%
EBITA [2]	892.0	832.0	7%
Net income	588.2	518.8	13%
Free cash flow [3]	464.6	498.8	(7%)
Net debt [4]	793.4	173.2	358%
Leverage ratio	0.8	0.2	
Shareholders' equity	4,140.1	3,861.7	7%
Ratios (in % of revenue)			
Underlying [1]			
Gross margin	19.0	18.7	
EBITA margin	4.6	4.5	
Actual			
Gross margin	19.0	18.7	
EBITA margin	4.3	4.3	
Net income margin	2.8	2.7	
Share data			
Basic earnings per ordinary share (in €)	3.15	2.79	13%
Basic earnings per ordinary share, underlying (in €) [5]	3.77	3.35	13%
Diluted earnings per ordinary share, underlying (in €) [5]	3.75	3.32	13%
Dividend per ordinary share (in €)	1.89	1.68	13%
Payout per ordinary share (in %) [6]	50	50	0%
Closing price, year-end (in €)	51.53	57.53	(10%)
Market capitalization, year-end	9,431.2	10,529.1	(10%)
Enterprise value, year-end [7]	10,224.6	10,702.3	(4%)
Employees/outlets			
Average number of candidates working	626,300	597,400	5%
Average number of corporate employees	32,280	29,750	9%
Number of branches, year-end [8]	2,974	2,750	8%
Number of Inhouse locations, year-end [8]	1,778	1,723	3%

1 Underlying: actual gross profit and EBITA adjusted for one-offs, such as restructuring costs, integration costs, and acquisition-related expenses.
2 EBITA: operating profit before amortization and impairment of acquisition-related intangible assets and goodwill.
3 Free cash flow: sum of net cash from operating and investing activities, excluding the acquisition and disposal of subsidiaries, equity investments and associates.
4 Net debt: cash and cash equivalents minus borrowings.
5 Before amortization and impairment of acquisition-related intangible assets and goodwill, integration costs, and one-offs.
6 Payout per ordinary share in %: dividend per ordinary share on basic earnings per ordinary share adjusted for the net effect of amortization and impairment of acquisition-related intangible assets and goodwill, integration costs, and one-offs.
7 Enterprise value: the total of market capitalization and net debt.
8 Branches are outlets from which various clients are served with various numbers of services and which are located in residential/commercial areas. Inhouse locations are outlets from which one client is served with a limited number of job profiles and which are located on the site of the client.

message from the CEO

Dear Stakeholder,

For Randstad, 2016 has been an exciting year. Our revenue rose by 5% organically, with a strong finish to the year in many of our operating companies. 2016 was also a year of important acquisitions, which will help us achieve our strategic ambitions and create long-term value. Once we have closed all acquisitions announced in 2016, these will add around 10% to our Group revenue. I would like to extend a warm welcome to our many new colleagues worldwide.

Thanks to the acquisition of Obiettivo Lavoro and the Proffice Group, we now have a No. 2 market position in both Italy and Sweden. We intend to further strengthen our presence in the Professionals landscape through the acquisition of Careo in Japan, and the acquisitions of Ausy in France and BMC in the Netherlands that were closed in early 2017. The other two acquisitions we closed in 2016, those of twago in Germany and Monster Worldwide in the US, will significantly strengthen our technological capabilities, which will help us to accelerate our digital transformation journey.

Digital transformation is a very important pillar of our overall strategy going forward. This is part of our broader Tech & Touch strategy. As digitalization is rapidly changing the way we live, the way we do business, and the way people work and connect to jobs, new online HR solutions are fundamentally changing the way in which clients and candidates want to be served. This is why Randstad is always on the lookout for the latest HR technologies – digital innovations that improve the way we connect with our clients and candidates. Tech empowers our Touch, which is based on 56 years of building relationships with clients and candidates, as well as in-depth knowledge and experience in the field of HR services. It is our strong belief that real connections are not made from data and algorithms, but require human involvement, empathy, intuition, and instinct.

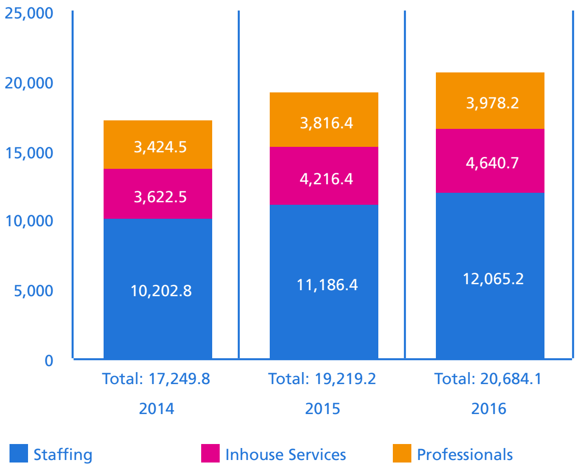
We started our digital journey several years ago by creating the Randstad Innovation Fund, which has enabled us to understand and acquire groundbreaking HR technologies. Our recent acquisition of Monster Worldwide, which is seen as a game changer in the industry, is a great example. We are rolling out a thorough plan to revitalize the Monster platform, and will use its technology to empower the Randstad Group. We also have the ambition to become a leading player in outplacement through the global expansion of RiseSmart, which we acquired in 2015 and which performed well in 2016.

At the same time, we are innovating from within, empowering our own people to change the way they work, supported by technology. In this context, we have created the Digital Factory, which will structure the various digital initiatives in our company, and which will help proven concepts to be extended to other countries or operating companies, in order to speed up our digital transformation.

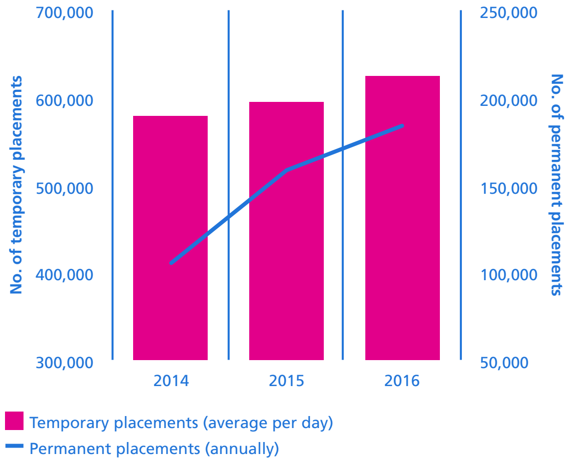
In some of our markets, digital initiatives are well under way, for example, Job Scheduling in France, Search & Match in the

Revenue

in millions of €



Candidates placed in jobs[1]



1 2014 does not include permanent placements from RPO.

Netherlands, and sales services based on Big Data in France, the Netherlands, and the US. To support our global digital initiatives, we are in parallel ramping up our capabilities in digital marketing, IT, Finance, Business Concept Development, and HR.

We are convinced that our digital transformation will eventually lead to an even higher level of appreciation on the part of both our clients and our candidates, as well as higher economic returns. Randstad has always been an innovator in the global staffing industry, and we see digital transformation as an opportunity to further strengthen our leading position.

With regard to our operational performance in 2016, significant progress has been made. Despite mixed macro-economic conditions, particularly in Europe, our revenue rose by 5% organically. The combined European operations enjoyed 6% revenue growth, with key contributors being France, Italy, and Spain. Unlike most of our peers, and despite tough competition, growth in North America remained in positive territory at 1%, driven by the continued outperformance of our US Staffing division. Our gross margin excluding Monster remained stable year-on-year at 18.7%, as fierce pricing pressure in some staffing markets was offset by our ongoing strong focus on higher-value-added services (e.g., permanent placements, which grew 7%). EBITA expanded by 7% organically, driving a further EBITA margin increase to 4.6%, reflecting a solid incremental conversion ratio of 41%.

Even taking into account our comprehensive M&A agenda in 2016, our balance sheet remained healthy, reflected by a leverage ratio of 0.8 at year-end 2016. In 2017, our focus will be mainly on further improving our economic returns, particularly on our newly acquired companies. Hence, we expect M&A activity to be limited in 2017. For 2016, we propose an all-time-high all-cash dividend of € 1.89 per ordinary share (2015: € 1.68), representing a payout of 50%.

Looking back on 2016, I would like to thank all our stakeholders and investors for their continuous support and trust. I also want to express my thanks and gratitude to all of our 36,524 colleagues worldwide at year-end. Individually and collectively, they make Randstad a unique and great company.

We are facing the future with confidence, in the firm belief that we are on the right path to transform ourselves and the HR services industry, leading the change ahead of our peers.

Good to know you,

Jacques van den Broek

new connections

The way people connect to jobs, anywhere, anytime, and through any device, and the role we play in this space, has drastically changed in the last few years and will continue to change even more rapidly. Technology-driven solutions and tools have transformed repetitive and process-oriented tasks. Technology is becoming the invisible engine that powers the real world around us. As a result, the human touch we bring to the table as Randstad is more significant and has a larger impact than ever before.

Randstad has a unique opportunity in the way we connect and evolve our relationships with our clients, candidates, and talents in the world of work. Research shows 57% of candidates feel the recruitment process has become overly automated, impersonal and transactional. Randstad's Tech & Touch strategy is all about using technology to the best of our advantage, saving time in administrative processes, automating what can be automated, all without losing the personal connection whenever it is needed. In this way, we can add more insight-based value for our stakeholders and be a source of inspiration and support.

We believe every individual brings something unique to the workplace. And every workplace can teach us something new about ourselves. It is a mutual exchange. We love to connect the dots. We believe real connections aren't just made from data and algorithms. It also takes empathy, real communication and instinct. Human instinct. So when we bring the passion of more than 36,000 HR professionals together with the power of today's intelligent machines, magic might happen. It allows us to dive deeper than a résumé or job opening and ask the right questions, to pinpoint exactly what our clients and candidates need. A smarter, more personal HR experience.

In 2016, we made many new connections as a company. The acquisitions we made throughout the year resulted in particularly valuable new connections, with Monster Worldwide being the most visible and strategically perhaps most impactful move. Thanks to this acquisition, we will gain access to a world of talent profiles and data. We also continued to invest in HR technology through the Randstad Innovation Fund, focusing on adding new technologies to our business portfolio, like Crunchr (a platform for HR reporting and workforce analytics) and Pymetrics (gamified psychometric assessments). In addition, we expanded our stake to fully acquire freelancer platform twago.

profile

Who we are

Randstad is a leading global staffing and recruitment company, offering a wide range of solutions in the HR services space. We are a trusted human partner in the technology-driven world of talent. We take the lead in shaping the world of work, by matching candidates with companies that will help them reach their full potential, and matching clients with people who will work to successfully develop their business. We do this by combining our human touch with technology-driven solutions and tools.

Our services include regular temporary staffing and permanent placement of candidates. Through our unique Inhouse Services concept, we offer dedicated on-site workforce management. In addition, we provide many other HR solutions, such as Recruitment Process Outsourcing (RPO), Managed Services Programs (MSP), payroll services, and outplacement. Through Monster, which we acquired in 2016, we can further expand our services to offer both clients and candidates the best tools for increased efficiency and engagement, connecting more people to more jobs.

Randstad was founded in 1960 in the Netherlands. In 2016, Randstad generated revenue of € 20.7 billion, employing an average of 32,280 corporate employees, who worked in about 4,750 branches and Inhouse locations in 39 countries. On average, we deployed around 625,000 candidates per day in temporary jobs, while we placed over 180,000 candidates in permanent positions. We are proud to find jobs for about 2.2 million people annually.

Our core values and culture

We continue to adhere to and live by our core values, established in the company's early days: to know, to serve, to trust, striving for perfection, and simultaneous promotion of all interests. The values we share serve as a compass for everyone at Randstad, guiding our behavior and representing the foundation of our culture. Our continuing success and our reputation for integrity, service, and professionalism are based on these values.

We can only promote the interests of our stakeholders if we *know* them well. Our thorough knowledge of our stakeholders and our business experience enables us to *serve* them better. Our engagement with our stakeholders and the service we provide them with builds mutual *trust*. This trust is enhanced by continuously *striving for perfection* and *simultaneously promoting the interests* of all our stakeholders and society as a whole. We believe that this creates an essential foundation for our business.

Our core values

To know
We are experts. We know our clients, their companies, our candidates and our business. In our business it is often the details that count.

To serve
We succeed through a spirit of excellent service, exceeding the core requirements of our industry.

To trust
We are respectful. We value our relationships and treat people well.

Striving for perfection
We always seek to improve and innovate. We are here to delight our clients and candidates in everything we do. This gives us the edge.

Simultaneous promotion of all interests
We see the bigger picture, and take our social responsibility seriously. Our business must always benefit society as a whole.

Over the decades, Randstad has developed into a global leader in the HR services industry, which is becoming increasingly digitalized. In this world of Tech, more than ever, our clients and candidates will be looking for the human Touch. Our values ensure our stakeholders can count on the power of genuine human interest and trust. That's how we keep making a unique and meaningful difference.

What we do

By helping candidates find suitable careers and develop their full potential, and by finding employers the people who best fit into their organization to sustain their success, we create value for society as a whole. It is our ambition to be an employer of choice and to attract, retain, and develop the best people, who will in turn provide our clients with excellent service. We ensure first-class service delivery by using best practices and proven standardized business models across our global network. We contribute to a better society by leveraging the experience and expertise in the labor market we have gained over 56 years. As such, we help to maximize future employment and economic growth.

Our service concepts

Staffing
In Staffing, our largest business, we focus on recruiting blue-collar and white-collar candidates. The concept covers temporary staffing and permanent placements.

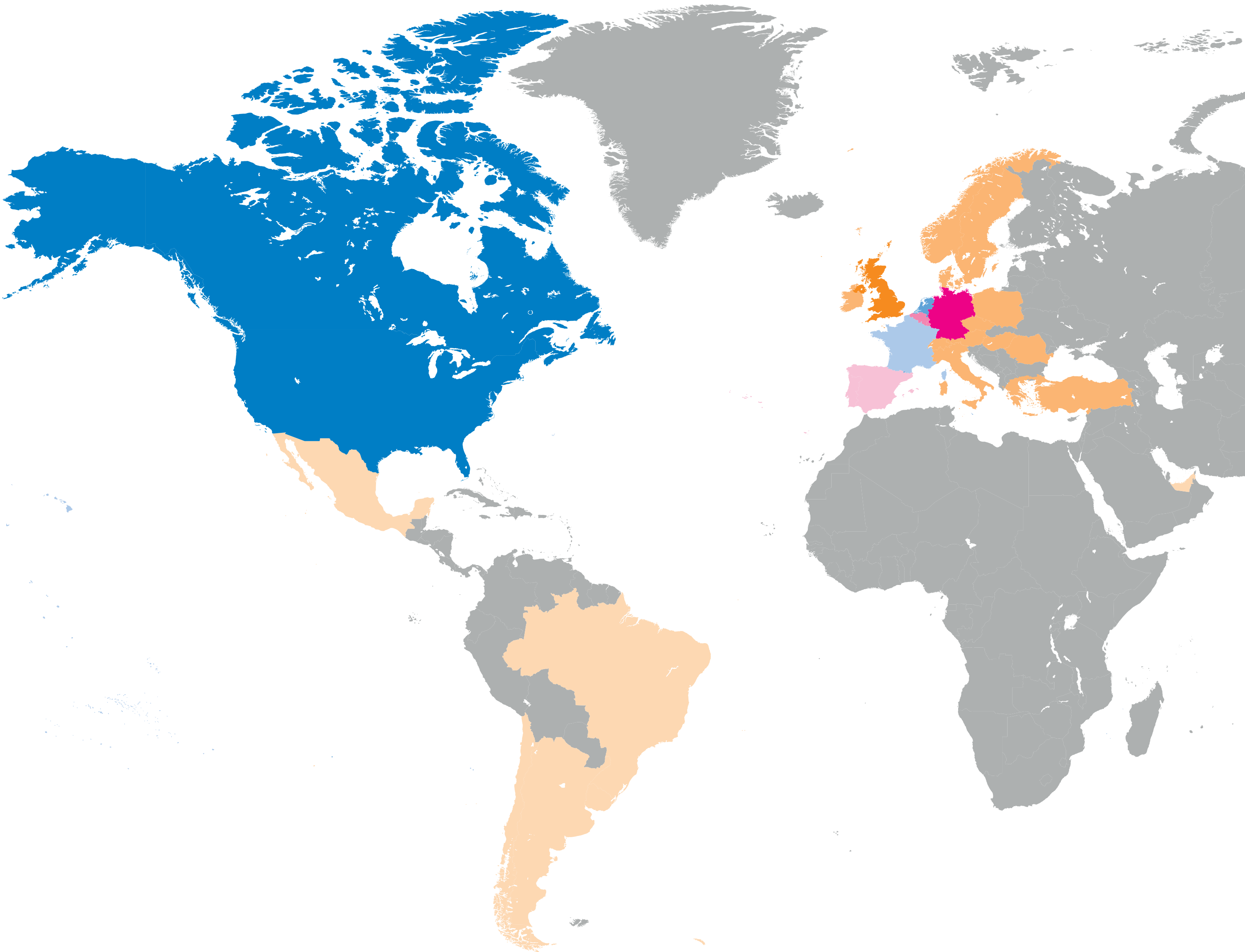
Inhouse Services
Inhouse Services is a unique solution for managing a highly efficient workforce with specific skill sets for which there is a fluctuating level of demand. It is aimed at improving clients' flexibility, retention, productivity, and efficiency. We work on-site, exclusively for our clients, providing a large number of candidates. We jointly determine specific performance criteria and provide total HR management, including recruitment and selection, training, planning, retention, and management reporting.

Professionals
For middle and senior leadership positions, we recruit supervisors, managers, professionals, interim specialists, and consultants from a wide range of industry backgrounds. These include engineering, IT, finance, healthcare, and other disciplines, such as HR, education, legal, and marketing & communications. This concept covers both temporary and permanent placements.

HR Solutions
Through HR Solutions, we provide clients with a range of services, including Recruitment Process Outsourcing (RPO), Managed Services Programs (MSP), Integrated Talent Solutions, payroll services, outplacement, and consultancy. As a part of RPO, we take on primary responsibility for the recruitment and selection of a client's workforce. MSP is one of our key offerings, whereby we take on primary responsibility for the organization and management of a client's contingent workforce. Our payroll services take over clients' administrative burden, so that they can focus on their core business.

"With new technologies, it's so much easier to stay in touch with my candidates"

our global presence



■ North America
- Revenue € 4,719.9 million
- 6,530 corporate staff
- 109,200 candidates
- 1,149 outlets, including 419 Inhouse locations

■ Netherlands
- Revenue € 3,185.6 million
- 4,320 corporate staff
- 82,500 candidates
- 640 outlets, including 337 Inhouse locations

■ France
- Revenue € 3,045.1 million
- 3,570 corporate staff
- 78,200 candidates
- 682 outlets, including 211 Inhouse locations

■ Germany
- Revenue € 2,087.6 million
- 2,660 corporate staff
- 47,000 candidates
- 557 outlets, including 277 Inhouse locations

■ Belgium & Luxembourg
- Revenue € 1,372.5 million
- 1,940 corporate staff
- 41,900 candidates
- 310 outlets, including 155 Inhouse locations

■ Iberia
- Revenue € 1,275.1 million
- 1,870 corporate staff
- 63,200 candidates
- 339 outlets, including 109 Inhouse locations

We have the following alliances to expand our reach: Ancor (Russia and Commonwealth of Independent States), Dayalima (Indonesia) and Staffpoint (Finland).

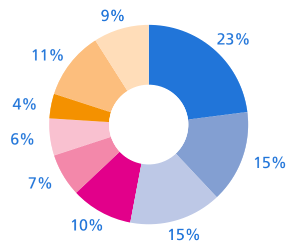
■ United Kingdom
- Revenue € 817.2 million
- 1,530 corporate staff
- 14,700 candidates
- 129 outlets, including 42 Inhouse locations

■ Other European countries
- Revenue € 2,338.5 million
- 4,150 corporate staff
- 79,600 candidates
- 643 outlets, including 145 Inhouse locations

■ Rest of the world
- Revenue € 1,842.6 million
- 5,510 corporate staff
- 110,000 candidates
- 303 outlets, including 83 Inhouse locations

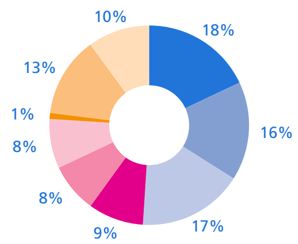
Split by geography

2016: Total revenue € 20,684.1 million



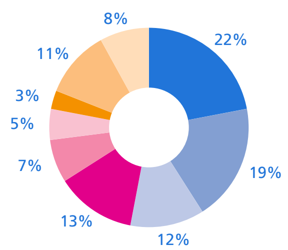
Geographic spread of Staffing revenue (incl. HR Solutions)

Staffing revenue € 12,065.2 million



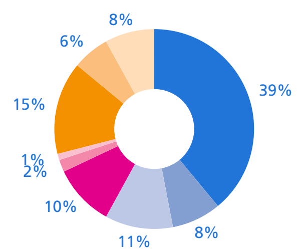
Geographic spread of Inhouse Services revenue

Inhouse Services revenue € 4,640.7 million



Geographic spread of Professionals revenue

Professionals revenue € 3,978.2 million



North America | Germany | United Kingdom
Netherlands | Belgium & Luxembourg | Other European countries
France | Iberia | Rest of the world

our business environment

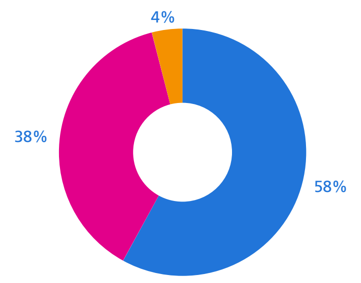
Introduction

Randstad operates in an industry with structural growth potential. In this section, we highlight several technological developments in our industry, elaborate on the structural growth drivers, and provide an update on the regulatory environment in our markets. In combination, these form the foundation of our strategy, through which we create value for our stakeholders.

The world of work is constantly changing. HR industry players are increasingly focusing on digitalization, and new innovations and startups are disrupting our market. The HR services industry offers attractive growth prospects through the cycle, with a global market size of about € 386 billion (up by 5% compared to last year according to Staffing Industry Analysts' (SIA) estimates). In many major economies, staffing and other HR services are still in development. As one of the global leaders in HR services, we see it as our responsibility to play an active role in developing the industry in the long term. Changing labor market trends and client needs, including an aging population, shifting labor surpluses and shortages, and increased flexibility, require the development of new solutions, including digital ones. By finding the right balance between the changing needs of employers and employees, we bring supply and demand together.

Global HR services market 2016

in billions of €

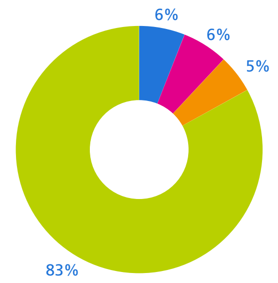


Source: Randstad estimates and 2016 SIA reports

The HR services industry is divided roughly into three main segments: staffing, professionals, and executive search. Randstad is primarily active in the first two. The global **staffing** market is worth an estimated € 224 billion, comprising Randstad's service concepts Staffing, Inhouse Services and HR Solutions, and accounts for around 80% of our revenue. Randstad's **Staffing** service concept (52% of our revenue) focuses predominantly on recruiting white- and blue-collar candidates for temporary or permanent placements. **Inhouse Services** (22% of our revenue) provides on-site workforce solutions, while **HR Solutions** (around 6% of our revenue) includes Recruitment Process Outsourcing (RPO), Managed Services Programs (MSP), payroll and outplacement services, and several other HR services. The global **professionals** market is worth around € 145 billion, and accounts for around 20% of our revenue. Our **Professionals** segment includes permanent and temporary placement of qualified professionals and candidates from a wide range of industry backgrounds.

Global market share 2016

Total HR services market: € 386 billion

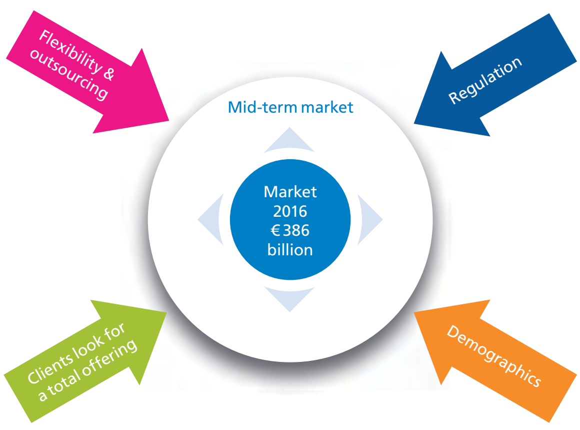


Source: Randstad estimates, 2016 Bloomberg consensus and 2016 SIA reports

Structural growth drivers

Geographically, Randstad is active in countries representing over 90% of the global HR services market, and our strategy has been designed to capitalize on the structural growth drivers in these markets. Randstad has defined four structural growth drivers for our industry. These are (1) a need for greater flexibility and outsourcing, (2) changing demographics, (3) favorable developments in regulation, and (4) a continued demand among our clients for a total offering. We believe these structural growth drivers will define the HR services market for decades to come. We have designed our

Structural growth drivers



strategy to anticipate and respond to these drivers, throughout economic cycles, as effectively and agilely as possible.

Flexibility and outsourcing

One of the most important drivers of long-term structural growth in our industry is the need for increased flexibility among clients and candidates alike. A flexible workforce helps our clients to improve their productivity and competitiveness. Moreover, outsourcing is a key driver, as clients increasingly focus on core activities and realize that outsourcing certain HR functions results in efficiency gains. We see that flexibility and outsourcing continue to rise on our clients' strategic agenda for the years ahead. Clients need to take care of their long-term planning, while they also need to be able to adjust their workforce, even during the course of a day. As a result, they are actively managing the flexible component of their workforce, also with a view to the macroeconomic circumstances. In addition, there is a growing demand for more flexibility among candidates, with jobs-for-life being a thing from the past. Candidates increasingly want to choose for themselves where, when, and how they work, which may include self-employment, remote working, part-time work, and many other flexible ways of working.

Some countries still maintain unjustified restrictions on flexible work arrangements, and these will need to be reviewed and lifted. The previous economic downturn has shown that countries with unreformed labor markets that do not allow for enough flexibility tend to have higher unemployment, lower labor participation rates, and fewer new jobs, leading to a lower rating on the World Economic Forum (WEF) competitiveness index. This in itself provides a strong case for reform, as there is a clear correlation between labor market effectiveness and competitiveness.

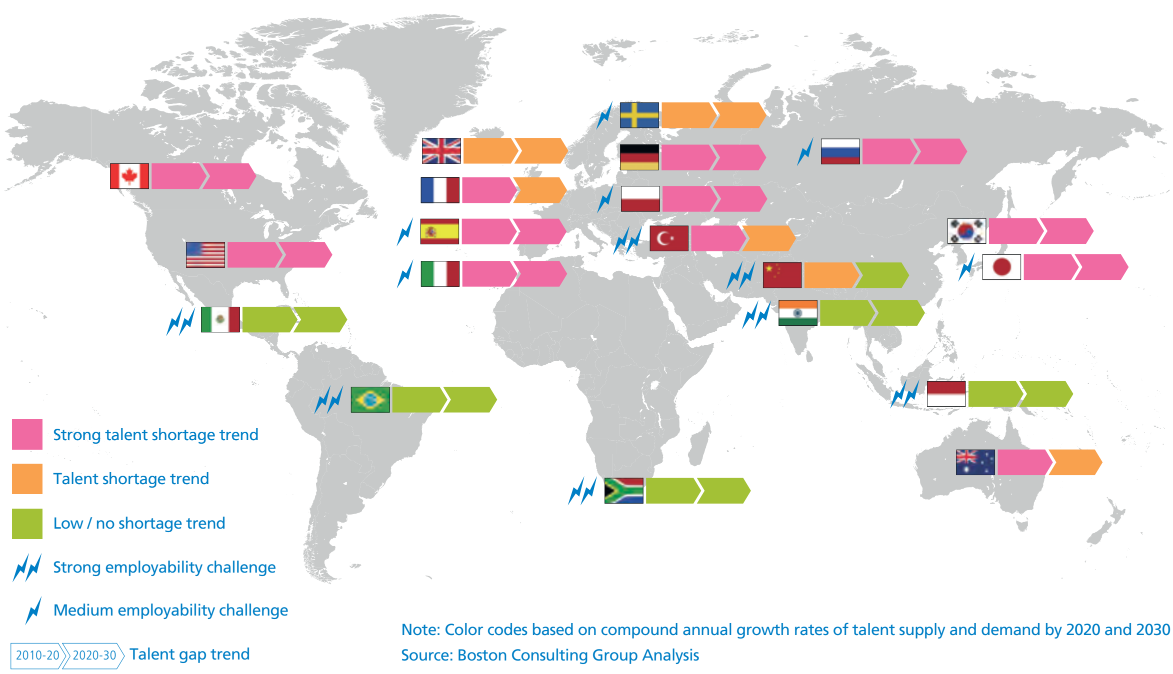
The staffing penetration rate (i.e., the number of temporary workers as a percentage of the total labor force) is an important indicator of the structural growth of our industry. As we strive to improve global employment participation, we use the development of penetration rates to report on our performance in this area. Penetration rate is a metric that we have identified as an employment market KPI in our sustainability framework.

Penetration rates are usually higher in mature markets, where staffing has long been a reputable solution for flexibility in the workplace. These more developed markets are generally ready for differentiated propositions when it comes to staffing and hiring professionals, and often also embrace additional added-value services, such as RPO, MSP and outplacement.

Demographics

A number of academic studies commissioned by Randstad ('The Gap' and 'Flexibility@work' series) revealed that aging and declining population growth is already leading to a shortage of people with vital skills in most developed countries. In addition, there is a growing mismatch between the qualifications and skills of workers and the rapidly

Talent gaps by 2020 and beyond



Note: Color codes based on compound annual growth rates of talent supply and demand by 2020 and 2030
Source: Boston Consulting Group Analysis

evolving demands of the labor market, with a significant impact from automation. The studies suggest that by 2020, both in the EU and the US, there will be a surplus of medium-skilled workers, a substantial shortage of highly skilled workers, and a steady demand for those with elementary skills.

The Flexibility@work 2016 study ('Future of Work in the Digital Age') shows that labor market demands are changing, driven by the continuous development of technology. This is creating new jobs, while making others obsolete. In many areas, employment is picking up, but employers still say they cannot fill their vacancies because even highly qualified candidates have the wrong skills for the jobs available. The current education systems, employers argue, teach yesterday's skills to tomorrow's graduates. Many are concerned that applicants lack 'soft skills', such as interpersonal, communication and analytical problem-solving abilities.

Skills mismatch in an employment landscape is mainly an outcome of structural rigidities in labor markets, but it is also influenced by cyclical gaps between supply and demand. Job creation is fundamental, but all aspects of the skills mismatch must be addressed. All stakeholders should work together to address the issue. Free trade agreements, for example, could include provisions for student and labor mobility. There is clearly a need for labor market policy to be approached much more actively, with unjustified restrictions being lifted and relevant intervention stepped up.

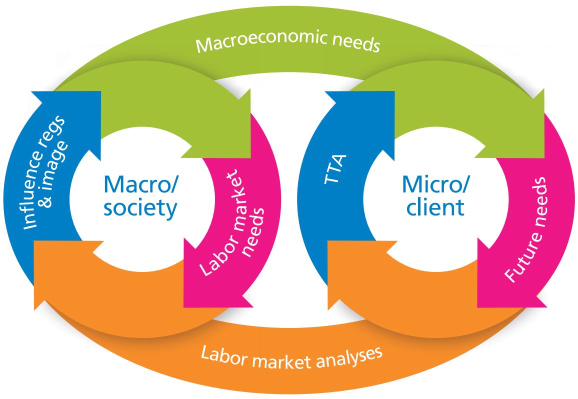
Clients look for a total offering

Clients are not only looking for fewer suppliers, they are also looking for a broader range of HR services from the suppliers they use, ranging from temporary staffing and permanent placements to outsourcing and managed services. Many clients are looking for a long-term customized talent strategy covering their total workforce. This offers us a unique opportunity to engage our clients in a strategic discussion about their HR strategy and how they may be able to further optimize their entire workforce. We call this Total Talent Architecture (TTA). Randstad is well-positioned to provide total talent solutions based on our broad service offering, our international coverage, and our labor market knowledge at both global and national level. In many cases, we can build on long-standing relationships with clients to whom we already provide part of our service offering.

We analyze future needs and developments from both the macro and the micro perspective. This is necessary to play an influential role in the regulating process. By applying our public affairs and labor market knowledge, we translate general economic trends into labor market needs and issues. Following these analyses, we provide guidance to society on a macro level and to our clients on a micro level.

Many international clients are looking for global or multi-country solutions, and Randstad's Global Client Solutions team leverages the Group's knowledge and capabilities across local markets to successfully meet this demand. We have dedicated teams of specialists focusing on specific industries to provide a full range of service concepts in both established and emerging markets. Today, international clients generate around 25% of our revenue.

Applying our knowledge



Regulation

Another important driver of market growth is regulation. Well-regulated markets allowing for a variety of employment types recover more quickly from economic downturns, and also have lower unemployment rates. We support employment legislation that caters to flexible needs and demands, while at the same time providing for adequate work and social security. Where staffing is concerned, some unjustified and economically unhelpful regulatory restrictions are still in place, which we would like to see lifted. At the same time, new opportunities are arising, as an increasing number of governments are recognizing the need for flexibility in their labor markets.

We believe the best way of finding the most appropriate balance of regulations for our services is through constructive social dialogue. This is in line with our core value of 'simultaneous promotion of all interests', which lies at the heart of our labor market relationships and stakeholder dialogue. Through proactive collaboration with governmental authorities, industry associations, unions, and others, we can help influence legislation and regulations in positive ways that stimulate sustainable growth, employment, flexibility, and equal opportunities. We strongly believe that our business must always benefit society as a whole.

Randstad believes government authorities will have to take measures to encourage the creation of jobs and participation in the labor market. Key to this will be the stimulation of lifelong learning and a variety of employment models. Randstad plays a vital role as transition manager here, as we move toward the future of work.

Regulatory environment in our markets

A major step forward in the regulation of the European staffing market was taken in 2008, when the European Parliament adopted the Agency Work Directive (AWD). The AWD recognizes the role of agency work and allows for greater flexibility, which provides greater scope for further evolution. The aim of the AWD is twofold: to identify and lift all unjustified and/or disproportionate restrictions on temporary agency work, while still protecting the rights of temporary-agency workers, including their right to equal treatment and equal pay. We observed that, since the introduction of the AWD in 2008, several countries, especially in Southern and Eastern Europe, have lifted or eased restrictions on temporary work.

The regulatory environment in some other large economies is showing both favorable and unfavorable developments:

Germany

The long-debated reform of the German temporary agency work legislation has now been adopted by the German Bundestag and Bundesrat. The new regulation will come into force on April 1, 2017. The main legal changes concern the introduction of equal pay after nine months in an assignment, and the introduction of a maximum length of assignments of 18 months (versus 24 months previously). We believe that the impact on our business will be limited, seen from our current perspective. Equal pay will only be applicable to a small part of our German temp population. Deviation from the 'equal pay after nine months' provision will be possible based on a Collective Labor Agreement (CLA) for the staffing industry, which rules what are known as 'sector surcharges'. The reduced contract duration should have no relevance either, as it is estimated that the tenure of more than 90% of our temps is below 18 months. In addition, deviation from the maximum length of an assignment will be possible based on a customer's specific CLA.

Switzerland

In May 2016, a new CLA for temporary agency work activities came into force in Switzerland. Key elements of the new CLA are the rise of the minimum wage for agency workers and changes to the working time arrangements. This allows for more flexibility, while at the same time providing for pay supplements if the actual number of hours worked per day exceeds a certain limit.

Turkey

Temporary agency work has finally been recognized in Turkey thanks to a new law, which came into effect in October 2016. The new law includes license for use, equal treatment, and some minor restrictions.

State of play on staffing regulation and trends, 2016

Country [1]	Regulation	Regulatory trend
Argentina	Workable regulation/to be improved	↔
Australia	Appropriate/liberal regulation	←
Austria	Restrictive/no specific regulation	↔
Belgium	Restrictive/no specific regulation	→
Brazil	Workable regulation/to be improved	→
Canada	Appropriate/liberal regulation	←
China	Restrictive/no specific regulation	↔
Czech Republic	Workable regulation/to be improved	↔
Denmark	Appropriate/liberal regulation	↔
France	Restrictive/no specific regulation	↔
Germany	Restrictive/no specific regulation	↔
Greece	Restrictive/no specific regulation	→
Hungary	Restrictive/no specific regulation	↔
India	Workable regulation/to be improved	↔
Italy	Restrictive/no specific regulation	→
Japan	Restrictive/no specific regulation	→
Luxembourg	Workable regulation/to be improved	↔
Mexico	Restrictive/no specific regulation	↔
Netherlands	Appropriate/liberal regulation	↔
New Zealand	Appropriate/liberal regulation	↔
Poland	Workable regulation/to be improved	↔
Portugal	Restrictive/no specific regulation	↔
Spain	Workable regulation/to be improved	↔
Sweden	Restrictive/no specific regulation	↔
Switzerland	Appropriate/liberal regulation	↔
Turkey	Restrictive/no specific regulation	→
UK	Appropriate/liberal regulation	↔
US	Appropriate/liberal regulation	↔

1 Main markets.

Appropriate/liberal regulation — → Trend has improved

Workable regulation/to be improved — ↔ Trend has not changed

Restrictive/no specific regulation — ← Trend has reversed

safe harbor statement

This management report contains forward-looking statements on Randstad Holding nv's future financial performance, results from operations, and goals and strategy. By definition, forward-looking statements generate risk and uncertainty because they refer to events in the future and depend on circumstances that cannot be foreseen in advance. Numerous factors can contribute to material deviation from results and developments indicated in forward-looking statements.

Such factors can include general economic circumstances, scarcity on the labor market, demand for (flexible) personnel or our other HR services, entry into new markets, the provision of new services, changes in staffing and labor legislation, personnel costs, future exchange and interest rates, changes in tax rates and subsidies, future corporate mergers, acquisitions and divestments, and the development of technology. You should therefore not place undue reliance on these forward-looking statements.

They are made at the time of publication of the annual financial statements of the company and in no way provide guarantees for future performance. All operating and business environments are subject to risk and uncertainty. For this reason, we can offer no assurances that the forward-looking statements published here will prove correct at a future date, and the company assumes no duty to update any such forward-looking statements.

value proposition & strategy

how we create value

Introduction

Having as many people as possible working is a good thing for society as a whole. It makes companies productive and it provides people with a fulfilling life. It is our ambition to be an employer of choice ourselves, so that we can continue to attract the best people, who in turn will provide our clients with the excellent execution they need. In this way, we can contribute to a better society, leveraging the experience and expertise we have gained over more than 56 years. As such, we help to maximize future employment and economic growth. In 2016, Randstad placed about 2.2 million people in temporary jobs (around 625,000 on a daily basis) and over 180,000 people in permanent positions.

Since the introduction of our core values, we have aspired to grow sustainably, our aim being to safeguard the business and its long-term viability, while taking the interests of all stakeholders into account, and making our business increasingly relevant to all parties involved. This aspiration is clearly reflected in our core value of 'simultaneous promotion of all interests'. As a result, we also adhere to the integrated reporting guidelines for the structure of this management report.

Long-term value creation through our strategy

Helping people to find work is our key driver. It is Randstad's role in society. Never before has Randstad been in a better position to add real value for clients and candidates in a world where digital is the new normal. By smartly integrating superior digital HR technology with the human touch of our professional and experienced people, we can stand out from the competition. A good example is our recent acquisition of Monster Worldwide, whose unparalleled digital capabilities, combined with our own expertise, will enable us to push the boundaries in the industry.

This also directly translates into the company's financial and growth ambitions. Geographically, Randstad is active in countries representing over 90% of the global HR services market. As described in the section 'Our business environment', we aim to capitalize on the structural growth drivers of our industry in these geographies.

The diagram 'Our strategy and strategic roadmap' shows how we create long-term value for our stakeholders. Our strategy to capture growth opportunities consists of four strategic building blocks, which will be explained in the following sections. Our strategic building blocks, combined with our strategic priorities, will enable us to serve the interests of our stakeholders.

Value through our strategy

<table>
<tr><th></th><th></th><th colspan="4">Strategic building blocks</th></tr>
<tr><th></th><th></th><th>Strong concepts</th><th>Best people</th><th>Excellent execution</th><th>Superior brands</th></tr>
<tr><td rowspan="4">Stakeholders</td><td>Clients</td><td rowspan="2">We create and manage a balanced workforce by connecting candidates with suitable employment opportunities</td><td rowspan="2">We attract bright, agile and adaptable employees and challenge them to outperform towards clients and candidates</td><td rowspan="2">We use best practices and proven procedures to ensure candidate engagement and first-class service delivery</td><td>We guarantee to our clients that they will receive the highest quality service and get access to the best candidates</td></tr>
<tr><td>Candidates</td><td>We are well-known for making the best jobs available and giving people the opportunity to develop their talents</td></tr>
<tr><td>Employees</td><td>Our strong concepts drive excellent development opportunities for our employees</td><td>We aim to be the most attractive employer for our employees</td><td>Our high-performance culture helps us to recruit, retain and develop the best people</td><td>Superior brands help us to attract, recruit and retain the best people</td></tr>
<tr><td>Society
Including shareholders</td><td colspan="4">Simultaneous promotion of all interests: we help to maximize future employment and economic growth
We aim to maximize shareholder returns, by optimizing our economic value added (EVA)</td></tr>
</table>

Our strategy and strategic roadmap

Randstad core values: to know, serve and trust, striving for perfection and the simultaneous promotion of all interests

Structural growth drivers

- Flexibility & outsourcing
- Demographics
- Clients look for a total offering
- Regulation

Strategic building blocks

- Strong concepts
- Best people
- Excellent execution
- Superior brands

Value for our stakeholders

Optimal workforces for clients	The best jobs for candidates
Expertise for a better society and shareholder return	The employer of choice for our employees

Sustainability basics

Today

Objectives		Progress in 2016
Activity-based field steering - Driving growth and productivity through commercial excellence - Brand strength, leads and conversion	ABFS	- Incremental conversion ratio of 41% - Introduction of value-based pricing
World League People, at the right place, at the right time - Optimized organization structure - High-performance culture and people engagement - Continuous process improvement	Org	- Deployment of global Sourceright strategy - Implementation of central delivery and SME approach in Staffing and sourcing centers for Professionals - Global IT SSC infrastructure rolled out
Total Talent Architecture, World Class Customer Experience - Creating quantifiable business impact by addressing the entire workforce of our clients - Increasing share of wallet - 1,000 large clients targeted	TTA	- Growth in MSP (+37%) and RPO (stable) - Inhouse Services maintains double-digit growth (+10%)
Talent management, unique candidate engagement - Optimum integration of technology and human touch - Leader in speed of matching and quality of hire - Fostering talent engagement and communities	Talent	- Successful integration of technology in talent management in main operations
HR Technology - Being the most agile integrator of technology & services in our industry **Randstad Innovation Fund** - Capturing trends and future business in HR technology	Tech	- Roll-out of technology platforms, e.g., RiseSmart, twago - RIF: 5 new investments - HR tech opco initiatives: Big Data, Randstad Direct, Ploy
M&A, seamless fit integrations - Strategic fit - Long-term value creation - Manageability - EVA positive after 3 years	M&A	- Acquisition of Proffice, Obiettivo Lavoro, Careo, twago, Monster Worldwide - Intended acquisitions of Ausy and BMC (closed in early 2017) - Leverage ratio 0.8
Shaping the world of work - Optimized workforces for clients - The best jobs for candidates **Grow to 5-6% EBITA** - Profitable growth - Improving margin - Increasing productivity	Goals	- Organic revenue growth: 4.7% - EBITA margin of 4.6% (up 10bp year-on-year) - Productivity (GP/FTE) remained stable - About 2.2 million candidates placed - >180,000 permanent positions filled

strategic priorities and objectives

Our strategic objectives and roadmap (see previous page) should enable us to capitalize on the structural growth drivers in our markets.

Strategic priorities for the longer term
We apply the following longer term strategic priorities, which will support us in realizing our objectives and maximizing shareholder returns:
- Capture profitable growth opportunities;
- Continue to use activity-based field steering to drive operational excellence;
- Use dedicated delivery models to target different client groups;
- Develop and roll out our digital strategy in order to support long-term value creation;
- Further improve our business mix by a strong focus on SME, Professionals, permanent placements and the rollout of our outplacement and career transition platform RiseSmart;
- Focus consistently on an efficient cost structure to optimize conversion of gross profit into EBITA.

Strategic objectives for the longer term
To further guide this process, we adhere to the following financial objectives, which are all closely related:
- EBITA margin of 5% to 6% over time, through revenue growth, mix improvement, and efficiency gains;
- Optimizing our Economic Value Added (EVA);
- Continuous profitable market share gains;
- A sound financial position with a leverage ratio of between 0 and 2.

"I can submit my hours worked immediately"

Strategic objective	Progress in 2016
EBITA margin of 5%-6% over time	In 2016, our EBITA margin further expanded to 4.6%, up 10bp YoY. Longer term, we continue to believe that a 5%-6% EBITA margin is feasible, dependent on 1) organic revenue trends, 2) pricing climate and mix effects, and 3) productivity gains including the effect of digitalization on our traditional business models
Optimize EVA	Randstad has a long-term track record of creating economic value, only disrupted by the severe macroeconomic crisis in 2009/2010. This underpins our vulnerability to the economic cycle. Since then, our ROIC has consistently improved until 2016. The considerable capital deployed to M&A in 2016 has temporarily impacted a further recovery of our ROIC and long-term value creation. Hence, our focus in 2017 will be on further improving our economic returns, particularly on our newly acquired companies. Being an important driver for optimizing EVA, capital discipline remains a strategic priority.
Profitable market share gains	In 2016, we gained share in core markets such as France, Germany and Italy. Overall, we continued to execute a disciplined pricing policy, driving further profitable growth in many of our markets.
Leverage ratio of between 0 and 2	Our leverage ratio moved from 0.2 (2015) to 0.8, impacted by our acquisitions completed in 2016. This is still comfortably within the targeted range of 0 and 2. Given our focus on organic operations in 2017 and generally sound FCF prospects through the cycle, we aim to remain within this range going forward

how sustainability is embedded within Randstad

introduction

It is our job to make work work – in the long term and for everyone. Sustainability is at the heart of our strategy and our operations. Our engagement with our stakeholders and the service we provide to them builds mutual trust. This trust is enhanced by simultaneously promoting the interests of all stakeholders and society as a whole. We believe this creates an essential and long-term foundation for our business. Simultaneous promotion of all interests, one of our core values, is the basis for our social responsibility and our sustainability framework.

Our Executive Board bears ultimate responsibility for the Group's social responsibility and our sustainability framework, while related topics are discussed frequently with the Supervisory Board. Randstad not only contributes to society at an international level, but the wider Randstad community also participates in many socially involved and volunteering initiatives on a local level. These activities are listed on our corporate website. Our operating companies have their own Sustainability Managers or a dedicated coordinator for sustainability matters, depending on their size. The Group Sustainability Manager reports directly to the Company Secretary.
In the area of sustainability in the workforce, in dialogue with a number of highly influential global companies, Randstad focuses on several key topics to identify the principal global dilemmas facing today's world of work and possible solutions. These dilemmas include knowledge transfer and leadership skills.

This year, we are again publishing an integrated annual report, in which we not only provide legally required information, but also give an update on the development of the interests of Randstad's stakeholders, including our contribution to society and the environment. In the past years, we have made significant progress in improving how we report on sustainability and CSR-related topics. At the end of 2016, we decided to initiate a process to further strengthen and update our overarching ambition and strategic priorities around these topics to bring further focus and structure to our many current initiatives worldwide, as well as to our communication and the way we aim to differentiate ourselves from our peers. Our updated ambition and strategy are aimed at strengthening the value proposition of the services Randstad offers to the labor market, reflecting the significant impact we have on people's lives in relation to work. We aim to communicate about the outcome of this process in the first half of 2017.

Sustainable Development Goals relevant for Randstad
In September 2015, the UN launched the 17 Sustainable Development Goals (SDG). Countries adopted these goals to end poverty, protect the planet, and ensure prosperity for all by 2030. As an HR services provider, Randstad can contribute most to Goal 8: 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'. We also have an impact on Goal 4: 'Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all', Goal 5: 'Achieve gender equality and empower all women and girls', and Goal 10: Reduce inequality within and among countries'.

Sustainable Development Goals and targets on which Randstad has most impact

Goals	Targets
4 QUALITY EDUCATION	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
5 GENDER EQUALITY	5.1 End all forms of discrimination against all women and girls everywhere 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
8 DECENT WORK AND ECONOMIC GROWTH	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labor-intensive sectors 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training 8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
10 REDUCED INEQUALITIES	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status 10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard 10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

Sustainability framework

Our sustainability framework sets the direction for our ambitions. It is based on a series of dialogues with multiple stakeholders. The Executive Board and Supervisory Board were involved in developing the framework, which forms the heart of our value proposition and therefore reflects our activities from the perspective of our clients, candidates, employees, shareholders, employment markets, and society at large.

The sustainability framework includes those material issues which are ranked as having the highest importance to stakeholders and/or the highest impact on the Randstad business. We also added the related risks, Key Performance Indicators (KPIs), and relevant measurable targets.

We have communicated and promoted our sustainability framework across all layers of the organization. Several of our larger operating companies publish their own detailed sustainability report to facilitate their local stakeholder dialogue.

Our sustainability framework contains KPIs. Several of these KPIs have already been in place for years, while other KPIs are under development. New KPIs will be added, while others may be relinquished if they turn out to have become obsolete. Assessing KPIs for feasibility, and validating them in light of developments in the company and society, has become a continuous process. Our operating companies report on these KPIs through the reporting system on a quarterly basis. Our non-financial reporting is therefore embedded in the planning and control cycle of the organization, and CFOs of operating companies bear final responsibility for its quality. Elements related to sustainability reporting are explicitly included in our key control framework.

Randstad has the ambition to increase the quality of its external sustainability reporting. In 2016, we therefore commissioned a consultancy firm to perform an audit of our non-financial KPIs in order to assess the quality of the data and the maturity of the external assurance process. The consultancy firm performed a review of the Group's administrative organization and internal controls around CSR reporting using audit methodology. They also visited a number of large country entities, explicitly aimed at developing knowledge and providing assistance at a local level, thus improving the efficiency and quality of the reporting to the head office. As a result, we now have better insight into the quality of the data and the maturity of the reporting processes. As next steps, the current list of KPIs will be reviewed for strategic relevance and the guidelines will be updated on scope, definitions and estimations.

Given the relevance of sustainability for Randstad's business, its ambition, and long-term viability, the Supervisory Board has included non-financial KPIs from our sustainability framework – one from each pillar – to the Executive Board's long-term incentive performance targets, in a ratio of 80% Total Shareholder Return (TSR) and 20% non-financial KPIs. As from 2017, it is proposed to amend the ratio to 65% TSR and 35% non-financial KPIs.

Materiality matrix

Identifying material issues is an important part of our approach to reporting. It helps Randstad to prioritize our reporting on what matters most to the business and to our stakeholders. It makes those items more explicit which are key to Randstad's strategic direction. To identify these matters, we take input from both inside and outside Randstad. We had a materiality analysis conducted by independent consultants in order to validate our sustainability framework, involving almost 8,000 stakeholders. The stakeholder groups included clients, candidates, employees, suppliers, authorities, investors, the financial sector, trade unions, civil society, and sector organizations. The analysis encompassed desk research, interviews with internal stakeholders, client and candidate surveys, and the Great People Survey for corporate employees. Based on a ranking of the stakeholders (their power to influence, the urgency of issues they deemed important, and the legitimacy of their interests) and an extensive analysis of all data generated during the process, we identified 27 key material issues in the social, economic, and environmental domains. These issues are captured in a materiality matrix, which has been adopted by the Executive Board.

The x-axis of the matrix outlines issues we have identified internally as having the strongest impact on our business in terms of revenue growth, gross-margin protection, and cost reduction. Issues identified as having the highest overall relevance to stakeholders are ranked on the y-axis. The materiality matrix was compiled of overall results for each stakeholder group globally and therefore does not reflect regional or cultural differences.

Materiality matrix

The Top 20 materialities and their location in this report:

1. Business principles on page 51 and human rights on page 52
2. Training and education on page 37
3. Increase of labor market flexibility and mobility on page 15
4. Economic & social impact of labor on society on page 14
5. Stakeholder engagement on page 23
6. Performance on page 58 & risk management on page 80
7. Legislation & regulation on page 17
8. Health & safety management on page 39
9. Client relationship management (CRM) on page 36
10. Innovation management on page 35
11. Talent attraction on page 40 & staff retention on page 44
12. Customer protection on page 84
13. Competitiveness of the company on page 14
14. Employee engagement on page 44
15. Reputation management on page 36
16. Labor management relations on page 48
17. Corporate citizenship on page 49
18. Corporate governance on page 89
19. Sustainable supply chain management on page 54
20. Environmental impact of the company on page 54

sustainability framework

we strive for the simultaneous promotion of all interests

shaping the world of work

pillar	key material matters	risks	vision 2020
optimal workforces for clients	- Client relationship management - Innovation management - Increase of labor market flexibility and mobility	- Adapting to economic conditions - Contract liability	We are the leading HR solutions partner and support our clients in creating a balanced workforce, and in becoming more attractive employers and effective organizations, now and in the coming years.
the best jobs for candidates	- Training and education - Health & safety management	- Candidate screening - Contract liability	We give as many people as possible access to jobs, providing them with options to develop themselves, with equal opportunities for all, with respect for health and safety, and with unyielding integrity. We also play a crucial role in guiding people from unemployment to employment.
the employer of choice for our employees	- Talent attraction and staff retention - Employee engagement - Training and education - Health & safety management - Labor management relations	- Attraction and retention of talent	We want to be an attractive employer with equal opportunities for everyone in an environment in which knowledge, trust, and diversity are highly valued. We are aware that we can only achieve this through serving others.
expertise for a better society	- Increase of labor market flexibility and mobility - Legislation & regulation - Economic and social impact of labor on society - Corporate citizenship	- Increased complexity of laws and regulations - Competition law compliance - Tax and labor law compliance	We aim to shape a better society by activating our knowledge and expertise. This is focused on (but not limited to) our knowledge of employment markets. We advocate developments which benefit individuals as well as society at large.
value for our shareholders	- Performance & risk management - Competitiveness of the company	- Credit risk - Other financial reporting risks - Adapting to economic conditions	
sustainability basics	- Business principles & human rights - Stakeholder management - Customer protection - Reputation management - Environmental impact - Corporate governance - Sustainable supply chain management	- Protecting our reputation - Data protection and system development & integration - Business continuity and data recovery	We aim to have a set of management tools, business principles and policies in place that are in line with or exceed the standard for our industry and that enable accountability for all elements of our sustainability framework.

key drivers 2012 - 2020	KPIs	measurable targets
- We provide innovative concepts for flexibility, based on our core values - We support diversified workforces at our clients - We have a continuous dialogue with and advise clients on the simultaneous promotion of all interests - We provide clients with the best candidates - We measure our success through surveys	- Net Promoter Score (NPS) - Market share - Client consideration, preference; client retention - Investments in innovation	- NPS: Top 3 position or position improvement in our Top 12 countries - Increase market share in our main markets
- We advance the employability of candidates - We provide candidates with the right jobs - We make sure that our candidates work in a safe and healthy environment - We guide people from unemployment to employment - We measure our success through surveys	- Candidate consideration, preference; candidate engagement - Injuries and fatalities during work - # of initiatives to place candidates with disabilities - # of initiatives to guide people from unemployment to employment - # of training hours; training costs - # of matches - # of permanent placements	- Zero fatalities and relative reduction of injuries - Increasing # of initiatives to place candidates with disabilities - Increasing # of initiatives to guide people from unemployment to employment
- We attract, recruit, develop, and retain the best people - The composition of our workforce is such that employees are able to understand and work with the diverse groups that make up our markets - We insist on ethical behavior and further embed business principles in our global organization (e.g., health and safety, human rights and environment) - We measure our success through surveys	- Internal leadership appointments as % of total - Proportion of males and females in senior leadership positions - # of training hours; training costs - Injuries and fatalities during work - Employee retention rate - Outperformance score	- Fill 80% of our leadership roles internally - Proportion of females in senior leadership positions: 50% in 2017 - Zero fatalities and relative reduction of injuries - Outperformance score higher than benchmark with a participation rate of 80% or higher
- We contribute to the removal of barriers for global mobility - We strive to improve global employment participation. - We strive to increase our role in the regulation of employment markets - We contribute to the social dialogue at key forums - We create partnerships that enable us to use our knowledge to benefit society	- # of hours and employees involved in VSO - Contribution to the appropriate regulation of labor markets - Staffing penetration rates in our markets - Other community engagements	- Send 20–25 volunteers on overseas assignments annually - Staffing penetration rates: increased in Top 8 markets, where measurable
- We engage in a proactive and continuous stakeholder dialogue	- EBITA - Incremental conversion ratio - Recovery ratio	- EBITA margin of 5% to 6% over time - Incremental conversion ratio towards 50% - Recovery ratio ≥ 50% - Dividend payout ratio of 40% to 50% of adjusted earnings per share (EPS) - Increase of market share - Optimization of economic value added (EVA)
- We create mechanisms to safeguard our core values, business principles, and good governance - We strive for a responsible supply chain - We strive to limit our environmental footprint by using sustainable energy sources, reducing use of water and paper	- # of employees trained in business principles - # of business principles incidents (misconduct reporting procedure) - % of vendors who have agreed to our sustainable vendor policy, % of purchase value - Environmental footprint measures on consumption of energy, % of use of green energy sources, water and paper	- All our corporate employees trained in business principles - Sustainable supplier code fully rolled out throughout Randstad - Included in the Dow Jones Sustainability Index - % of electricity from sustainable sources: 50% in 2018 - Reduction of CO_2 emissions of 8% in 2018

value for our clients and candidates

Introduction

In this section, we explain our value proposition for clients, candidates, employees, and society, in line with our strategic priorities. We will also analyze a number of non-financial KPIs as presented in our sustainability framework. In addition, this section includes an overview of our strategic building blocks: strong concepts, excellent execution, superior brands, and best people.

Our value for clients

At Randstad, we play a key role in managing our clients' key assets: their people. Our clients today are operating in hypercompetitive environments. The skills they need – now and in the foreseeable future – are not always easily accessible. Increasingly, the talent available is simply not skilled enough to meet business demands. Clients therefore realize that if they are to attract, engage and employ talent themselves, they would need to make significant investments. This is where we add value. By partnering with us, our clients can focus on their core business, while we bring them the best candidates for the vacancies they need to fill.

Randstad knows what it takes to be an attractive employer. We provide a strong portfolio of solutions that help our clients create and manage a well-balanced workforce, with employees who have the right skills, competencies, and cultural fit. Clients benefit from Randstad's strong knowledge of the labor market, as well as our innovative Tech solutions combined with our dedicated human Touch. We will apply digital to all activities in order to improve our core processes, as well as create new business models.

We offer a range of proven and robust services, from regular temporary staffing and permanent placement of candidates to dedicated on-site workforce management with Inhouse Services – an offering unique in our industry. Our specialized HR Solutions include Recruitment Process Outsourcing (RPO), Managed Services Programs (MSP), payroll services, outplacement, outsourcing, and consultancy.

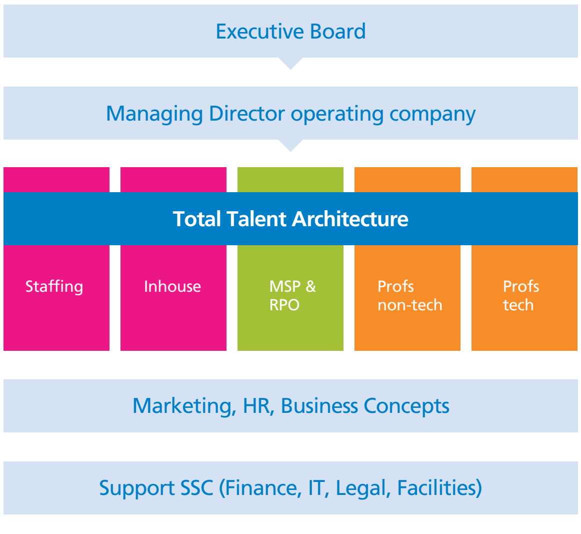
We deliver our services in multiple ways, using multiple service concepts. Our service concepts, which are explained in the section 'Our strategy: strong concepts', offer a wide range of solutions and are always based on standardized best practices and proven procedures.

Total Talent Architecture (our large-client approach)

Total Talent Architecture (TTA) is an approach we use for our largest clients (approx. 1,000). TTA enables a company to build a holistic talent strategy. This requires an optimum balance in terms of permanent, contingent and freelance talent, in order to make a measurable impact on business goals and growth.

Traditional talent acquisition is typically executed in silos. Hiring managers may use insourced, outsourced, or a mix of such services to acquire talent. As a result, process overhead is unavoidable, and the lack of transparency and internal communication often leads to cost, quality, and compliance issues. In contrast, TTA provides an in-depth analysis of a client's workforce planning to deliver a talent strategy aligned with growth ambitions and profitability targets. This strategy generally comprises flexible talent supply models based on differences in business needs, geography, and workforce demographics. TTA connects all our business lines, and we see ample opportunities to increase our presence in higher-value-added services (such as Professionals and permanent placements).

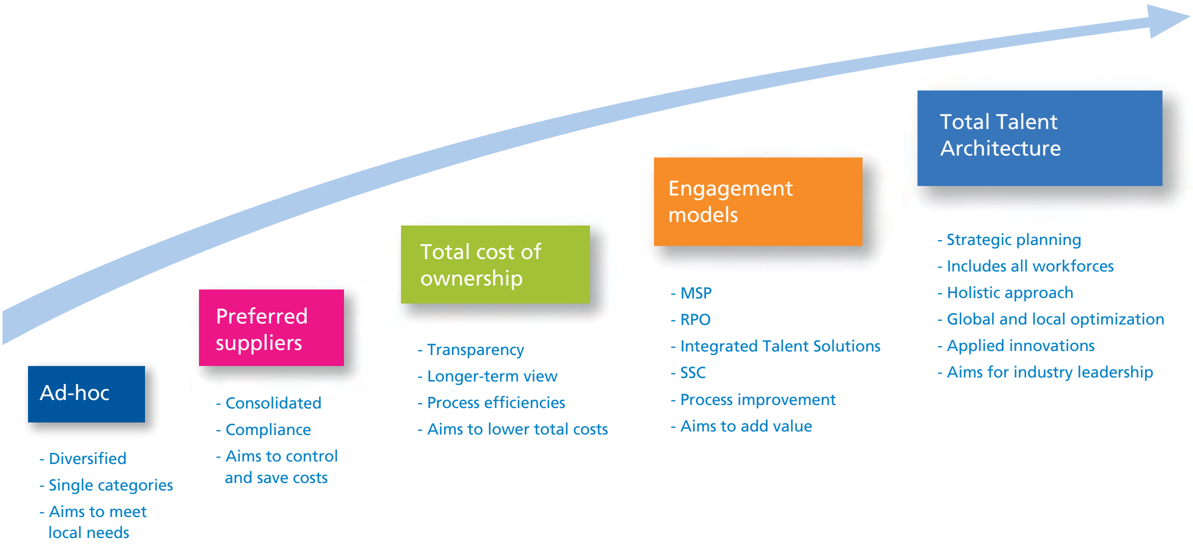
Total Talent Architecture



Given our broad service offering and international coverage, Randstad is well-positioned to provide these total talent solutions. In most cases, we build on existing, long-standing relationships with clients. Through a comprehensive customer and market intelligence exercise, we review all internal and external data sources available in order to compare their results with those of other companies in the same industry (or adjacent industries). Together with our clients, we review their organizational performance, comparing their current HR/talent position with their desired future position. By drawing up a 'total talent roadmap', we proactively show them their future talent strategy, demonstrating opportunities and barriers to success, as well as potential business impact in terms of growth, financials, and competitive position.

Through the total talent roadmap, we engage our clients in a strategic conversation. The roadmap demonstrates our capabilities in helping our clients optimize their workforce. It also serves as a guideline to gradually implement our broader range of solutions across all layers of their organization.

Total talent roadmap



Our TTA framework aims to improve the alignment of organizational strategy and workforce planning, impacting:
- Quality of talent
- Workforce productivity
- Internal mobility (local, regional, and global)
- Process efficiency
- Organizational agility
- Risk mitigation
- Social responsibility
- Profitability and growth

This approach keeps us agile, as we continuously adjust our delivery models to serve our clients in the best possible way. As these models evolve, we share insights and drive strategic conversations with clients so that they can benefit from the depth of our service offering, from staffing and recruitment of professionals through to highly customized RPO and MSP. Through TTA, we build long-term, sustainable relationships that are focused on long-term value creation. In this way, we proactively shape the world of work.

Our value for candidates

Our mission is to make the best jobs available to as many people as possible, providing people with the opportunity to develop themselves. We strive to do this while providing equal opportunities for all, respecting health and safety, and with unyielding integrity. We advocate equal opportunities and unbiased competence management, irrespective of gender, race, religion, age, or background. In addition, we play a crucial role in helping people make the transition from unemployment to employment (e.g., through a number of programs to help unemployed youth).

By connecting our candidates with suitable employment opportunities, we provide them and their families with independence, as well as job satisfaction, dignity, and respect. Through both temporary and permanent placements, we offer candidates opportunities to gain experience and improve their skills, while achieving personal growth and developing their career. By building long-term relationships with our candidates, we are able to help them formulate the best career path and achieve their long-term career ambitions. In addition, we enable freelancers to share their knowledge and experience with organizations, ensuring a good cultural and creative fit.

Although there are many candidates who simply prefer temporary work, for a large number of candidates, temporary work either represents their first step on the way to a permanent job or it liberates them from unemployment. Temporary work is the best possible training for a permanent job, as it gives candidates an opportunity to enhance and broaden their experience, which makes them more valued by organizations. On average, only 46% of workers were employed before agency work, but 72% are employed after agency work (source: Ciett, Economic Report 2015). For other candidates, the services we provide enable them to build a career, to earn additional income, or to adjust their work/life balance to their own circumstances, needs and wishes.

By finding work for people, we contribute to the optimization of talent allocation. By helping candidates manage their expectations and ambitions in terms of sector, client, and job profile, and by providing training where necessary, we help them adapt to changing requirements. We recognize that various groups of people in society are distanced from work. We therefore run a variety of local job- and skills-oriented training programs designed to help these people integrate or reintegrate into the employment market.

Our recent acquisition of Monster Worldwide also adds significant value for candidates. By leveraging advanced technology-enabled services combined with the high value generated through our strong and long-term relationships with candidates, the Monster platform empowered by Randstad will greatly enhance candidates' career opportunities, now and in the future.

Our strategy: strong concepts

To ensure value creation for clients and candidates, we offer them four strong concepts:
- Staffing
- Inhouse Services
- Professionals
- HR Solutions

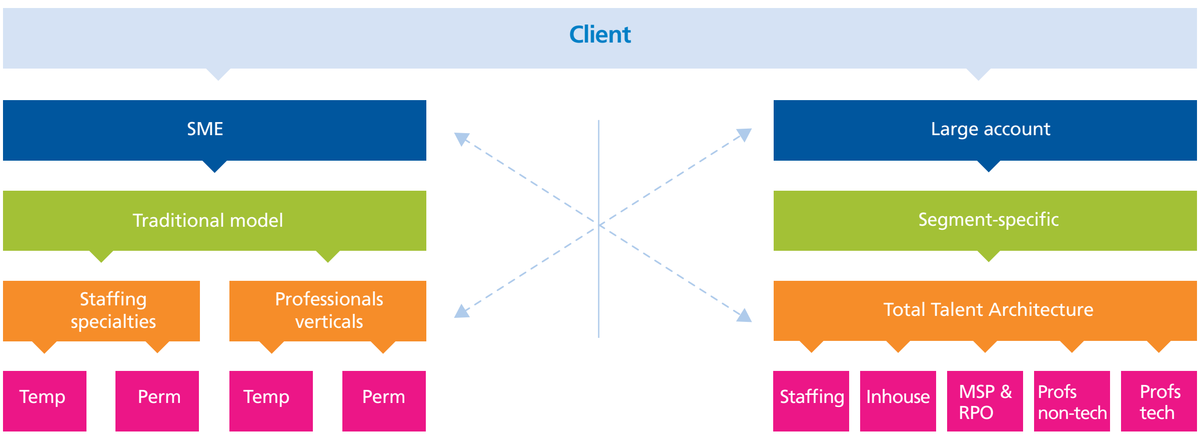
These concepts are based on best practices and proven procedures, ensuring efficient working methods and first-class service delivery. The concepts can be rapidly replicated and leveraged in other markets, and are relatively easy to adapt to meet specific needs. Our service concepts are well-known for the consistency and quality of their delivery. As a result, all of our clients know they can trust Randstad to meet their needs throughout the world. Through in-depth knowledge of our clients' businesses, we provide them with the right talent at the right time, addressing our clients' need for increased flexibility.

In 2016, we continued to focus on the right delivery models for clients and client profitability. For small and medium-sized clients, we offer Staffing and Professionals services through our branch network and through online solutions. Our teams in these businesses each focus on a specific market segment and/or job profile, offering temporary staffing and/or permanent placements. For larger clients requiring higher volumes, we have developed segment-specific delivery models. As our clients' businesses continue to change, we adapt our service offering accordingly. Two good examples are Randstad Inhouse Services and Randstad Sourceright. The latter focuses on Recruitment Process Outsourcing (RPO) and Managed Services Programs (MSP).

As shown in the model below, across the Randstad Group, we continuously analyze our clients' requirements, assessing whether the existing delivery model is still the most effective and efficient to meet their needs. In addition, we analyze whether the existing contracts and delivery models generate the desired profitability. Based on this assessment, clients may be transferred to an alternative delivery model. For example, we may transfer a large Professionals client, serviced through our branch network for large perm assignments, to RPO. In this way, we can take advantage of the scale RPO provides via our 'hub-and-spoke' recruitment model on the client's premises, supported by our near-shore and offshore sourcing centers. Other examples involve launching an MSP for a large client, transfers from Staffing to Inhouse Services, or centralizing recruitment through our international sourcing centers.

Such a dedicated delivery model increases the fill rate of orders, resulting in greater efficiency and client satisfaction. What is more, by transferring larger clients to a segment-specific delivery model, the teams at the branches are better able to focus on their SME market segments.

Client strategy



Adaptability of the client-delivery model

To support the continuous improvement of our concepts and to create new delivery models, we integrate innovative HR technology, such as big data analytics, social sourcing, talent networks, and cloud platforms. The ultimate aim is to maximize our technological capabilities, so technology can take over certain basic tasks in our service delivery to clients. As a result, our consultants can shift their attention to personal and relevant contact with clients and candidates – the human touch that sets us apart. By getting to know our clients and candidates intimately, we can increase the quality of our matches. In this context, the investments made by the Randstad Innovation Fund (RIF) play an important role.

A detailed explanation of our service concepts is given in the sections below. An overview of our performance by revenue category in 2016 is given in the section 'Performance'.

Staffing

Staffing is our largest business and covers both temporary staffing, where we charge our clients based on the hours worked, and permanent placements, where we charge our clients a fee based on the candidate's salary. In 2016, our growth in permanent placements continued.

Our Staffing service offering includes a range of specialties, with dedicated units that focus on staffing for certain market segments that require specific skills or experience (e.g., logistics, airports, and contact centers). Each unit typically consists of two consultants who work within a given geographical area or industry and are jointly responsible for client service, candidate selection, and the matching of clients and candidates. Working as a team, they ensure that, at all times, at least one of them is available to assist our clients and candidates.

All consultants are experts in their local labor market, as well as in their clients' businesses. By having in-depth knowledge of our clients, our consultants can anticipate their needs. This is one of Randstad's greatest differentiators, which directly impacts productivity. For larger customers, we have dedicated delivery models to maximize results and client satisfaction.

Inhouse Services

Randstad's Inhouse Services concept specifically meets the needs of companies requiring large-volume workforces with client-specific skill sets. Our dedicated consultants and process managers work on-site, tailoring our processes to our clients' needs. We focus mainly on the following segments: fast-moving consumer goods (FMCG), automotive, life sciences, contact centers, manufacturing, and logistics.

By providing flexible work solutions designed exclusively for each client, we help our clients improve labor flexibility and productivity, as well as achieve cost savings, increased employee retention, and stronger employee engagement.

Being on-site provides us with a unique opportunity to obtain a thorough understanding of our clients' businesses. As a result, hidden needs are easier to discover, and relationships often become long-lasting, providing a high level of trust, enabling clients to focus on core strategic issues, confident in the knowledge that their staffing needs are being met.

Over the years, we have gained valuable experience in providing Inhouse solutions across the industrial segments of our markets. Besides the blue-collar business, our Inhouse Services concept has also been implemented in the administrative segments and in Professionals. In 2016, significant progress was made in offering permanent placements at our Inhouse locations. This has been very well received by our clients.

Professionals

Within Professionals, we source professionals and executives across a range of sectors, including engineering, IT, finance, and healthcare, as well as other disciplines, such as HR, education, legal, and marketing & communications. Our experienced consultants are experts in their own specific fields, and have well-developed social networks. They place candidates on a temporary or interim basis, as well as in permanent positions. Through our depth and breadth of service offerings, we are the recruitment partner of choice for leading organizations across the globe – from blue-chip multinationals and consulting firms to governments and SMEs.

Randstad's specialist divisions lead the way when it comes to delivering innovative, flexible and customized recruitment services and consulting solutions. To identify, communicate and engage with scarce specialist communities, we use innovative HR technology and tools. For example, the recently acquired commercial suite of Monster will significantly improve our ability to engage with professionals.

We know where to find the right talent, and are able to support our professionals in gaining additional skills through training if required. Our professionals will add value from the moment they start the job and help achieve our clients' business goals.

HR Solutions

Randstad offers a range of HR solutions that focus on long-term strategic gains for our clients. Our HR Solutions free up the time of our clients' HR leaders by taking over several of their tasks, enabling them to focus on their company's strategic HR and business issues. These services are typically complementary to Staffing and Professionals, and are characterized by long-standing client relationships. Through our HR Solutions, we are often able to expand our service offering to Staffing and Professionals. Our key HR Solutions services include Recruitment Process Outsourcing (RPO), Managed Services Programs (MSP) and Integrated Talent Solutions, all provided by Randstad Sourceright, as well as payroll services, outplacement and career transition services, and consultancy.

In 2016, the need for integrated strategic talent solutions continued to drive demand for Randstad Sourceright's services. By delivering the right talent at the right time in the right modes of employment and at the right cost, we drive quantifiable and lasting business impact for our clients. We also continue to see growth in MSP, as well as a demand for blended solutions, with Randstad Sourceright providing a delivery model where clients can take advantage of all hiring channels, whether it is a contingent or permanent resource.

The global RPO and MSP markets are expected to see strong demand going forward. The largest market is North America, followed by EMEA, Asia Pacific, and Latin America. As the market matures, customers are looking beyond traditional drivers such as flexibility, scalability, and cost, attaching greater importance to business impact – including improving quality of hire, reducing time-to-hire of business-critical talent, measurable process improvement, ability to move into emerging markets, and greater visibility and insights.

Randstad Sourceright has seen rapid expansion over the past few years. With clients increasingly buying on a multi-country, regional and global basis, we have increased our investment in our global infrastructure in sales and solution design, marketing, account management, and shared services, as well as technological and recruiting innovations. In line with this, we are making investments in emerging markets in Asia Pacific and Latin America to meet the growing demand for HR services across geographically spread-out and culturally diverse markets.

Recruitment Process Outsourcing (RPO)

Our RPO services take control of our clients' entire recruitment and talent acquisition process, increasing the quality of their permanent workforce, and reducing their administrative burden and costs. We provide tailor-made, own-branded, and on-site HR services to deal with management of vacancies, response screening and assessment, sourcing strategies for niche profiles, brand attraction insights, reduction in the use and management of external agencies, and cross-border services.

Our RPO clients are large organizations looking for an RPO provider that can align organizational strategy with the workforce plan, adding value through innovative strategic sourcing services, employer branding, diversity, talent community management, workforce planning, HR technology and talent analytics. Randstad Sourceright is well-positioned to meet these needs through our global capabilities, our network of renowned thought leaders, and expert communities, as well as our centralized recruitment centers in the US, the UK, Hungary, India, and Malaysia. These rapidly growing recruitment centers are proving an important resource to clients, because of their innovations in sourcing, social media, recruitment and HR technology, and employer branding.

Managed Services Programs (MSP)

In our Managed Services Programs, we take primary responsibility for the organization and management of a client's contingent workforce. On behalf of our clients, we manage the entire supply chain of all staffing providers. This gives clients greater control of their recruitment activities and greater transparency regarding their spending. Managed Services Programs are particularly useful for companies wanting a single point of contact in order to ensure greater transparency and compliance in managing large volumes of professional skills from many different suppliers. We regularly operate in more than one country. We have experience with most Vendor Management System technologies to automate the hiring and billing process and to provide clients with statistical management information.

Besides the traditional MSP adoption drivers (such as cost reduction, improved compliance, and greater spend and workforce visibility), new drivers focusing on optimizing the blend of permanent and temporary workers and talent quality have emerged. This development is driving change in MSP solutions. Organizations are starting to look at talent holistically, with talent acquisition encompassing the temporary, contracting, freelance, and permanent workforce, as well as statement of work (SOW) consultants. As organizations continue to recognize the value contributed by contingent workers, they are increasingly paying attention to the quality of hires and hiring managers.

Integrated Talent Solutions
An Integrated Talent Solution is a comprehensive approach to delivering the right talent in the right modes of employment. Our solutions encompass all worker types and sources, including permanent hires, temp-to-hire, staffing, freelancers and contractors, SOW consultants, part-timers, payrollees and seasonal workers.

Depending on the client's requirements, we manage some or all of these types of workers by integrating our supply models, such as RPO, MSP and payroll services. For example, we may source talent for both permanent and temporary positions from the same talent pool, ensuring the hiring manager has rapid access to the best candidates. At the center of every client program is a comprehensive talent analytics platform to provide a thorough view of the client’s workforce, and every program is customized to the client’s needs, culture and structure.

Payroll Services
Our Payroll Services take over the administrative burden of our clients, so that they can focus on their core business needs. We provide a broad range of services, including personnel administration, payroll accounting, and contract management; monitoring and addressing absenteeism; and a 24/7 service portal that enables clients to register new employees, make changes, or find specific management information.

Outplacement and Career Transition Services
Within Outplacement, we advise and support organizations in situations in which employment contracts need to be terminated due to a strategic decision or for other reasons. We help employees to find suitable new employment, and try to make the transition as smooth as possible. In this segment, we are market leader in the Netherlands and Belgium. Our acquisition of RiseSmart in 2015 has significantly enhanced our standing, not only providing Randstad with a position in the North American market, but also enabling us to be the leading global innovator in this field. RiseSmart leverages a unique cloud-based technology platform with a proprietary matching engine and provides comprehensive one-on-one support to help employers with their workforce transitions and displaced employees with their career strategy.

Outsourcing
In Outsourcing, we manage several client activities with output responsibility in both production/logistics and administrative environments, while we also have a large outsourcing business in IT.

Consultancy
Through our Consultancy services, we support clients by providing expert advice on organizational development and personal improvement, which includes employee development and coaching, optimization of HR processes and policies, and strategic workforce planning.

"I can schedule a career advice appointment with my consultant online"

Our strategy: excellent execution

Our building block 'excellent execution' is based on best practices, which we have made the cornerstone of all our activities. We take best practices that have either been developed centrally at Group level or in any one of our operating companies, and translate them into standardized work processes that we can use right across our business. This means we can spend more time with clients and candidates, increasing client and candidate engagement, and enabling us to gain market share. By standardizing, we can rapidly 'copy and paste' our concepts across markets around the world, because the required processes and execution are fully developed, and we can replicate them with only minor adjustments to take account of local business practices or the local labor market culture.

Activity-based field steering (ABFS)
Our ABFS model is designed to optimize adaptability and to drive productivity and growth, which is essential in generating a strong conversion of gross profit into EBITA. ABFS is an input-driven (calls, visits, email, social media) field steering model. It drives our daily operational activities, and enables us to better align our organization. One of our core strengths is being able to adjust to changing market circumstances quickly, enabling us to provide clients with the services they need, when and where they need them. Building on the foundation of our strong concepts, we use our ABFS model to manage and direct performance across our businesses.

Our ABFS model drives decisions to exploit profitable growth potential or to reduce costs when needed. Both may apply in parallel, which is why we align those decisions with local operational developments and local market trends at the lowest level in our organization. This means that we do not manage on the basis of averages or predictions, but on actual real-time, bottom-up figures. Furthermore, by embedding operational performance tools at every level of our organization, the ABFS model also helps operational managers to take the right decisions, at the right time, and translate them into action. Managers receive up-to-date, accurate reports on a weekly basis, covering a range of key performance indicators. The consolidated data enables them to manage their units and teams in the field by adapting to changing client and market demands as they occur. The ABFS model also helps us identify best practices, which can then be rolled out globally as part of our strong concepts.

By ensuring the adaptability of the field organization, our ABFS model helps us to achieve an efficient front-staff cost structure. In addition, we closely monitor the productivity and efficiency of the whole organization, including overhead and head-office costs. As we grow, our focus is on the conversion of additional gross profit into EBITA. Overall, we aim to achieve an incremental conversion ratio of towards 50%.

Best practices for field and back-office activities

We standardize both front-office and back-office processes and, where possible, marketing processes. This improves the consistency and quality of our business and our execution. For our head-office activities, our way of working is based on lean management principles and continuous improvement, ensuring that we deliver services with the right quality at the lowest costs to our internal and external customers (clients and candidates). In addition, we continuously benchmark our local organizations and processes, in order to further drive the effectiveness and efficiency of our head-office activities.

Digital strategy

Given the fast pace of technological developments, Randstad strives for maximum agility to ensure that new technologies are integrated quickly, both locally and globally. To accelerate our digital transformation as part of our Tech & Touch strategy, Randstad has created a new organization called the Digital Factory. It identifies the best internal and external digital solutions and scales them around the world. In addition, to improve cost efficiency, to increase agility and to reduce time-to-market for new developments, we have created a Shared Service Center (SSC) for IT infrastructure, and we aim to migrate our global physical infrastructure into the public cloud in 2017. This follows the successful roll-out of Google for Work as our email and collaboration platform.

Randstad's application landscape is a balanced mix of global and local elements, thus ensuring that we are able to adapt to the vast variety of regulatory environments. In addition to enabling compliance with local regulations, these core systems are selected and configured to support Randstad's business concepts and other standards (e.g., our Blue2 web portal standard).

Local IT directors have discretion to optimize and extend these platforms (e.g., by integrating components newly available on the market). Randstad aims to have a repository of (mostly external) components that operating companies can integrate locally with relatively little effort. Given this focus, local Randstad IT staff are selected for and trained in business acumen and integration skills.

Randstad's Group-wide systems are geared, among other things, to consolidate financial and operational data and provide relevant management information to our international clients. Randstad aims to keep this international layer of systems relatively light and flexible, and non-intrusive to local operating company developments.

We are continuously scanning the HR-technology market for promising new components and ideas. The Randstad Innovation Fund (RIF) plays an important role in identifying new technologies and inspiring ideas. For example, RIF was instrumental in the acquisition of the innovative outplacement and career transition services business RiseSmart in 2015. The acquisition of digital recruiting pioneer Monster Worldwide in 2016 also illustrates Randstad's commitment to becoming a frontrunner in technology-driven HR solutions.

Randstad recognizes that the traditional way of doing business through our branch network is evolving. While our branch network remains an important way of connecting with both our clients and candidates, our visibility and presence is enhanced through the use of other sales and delivery channels. These include our online presence and the use of mobile (location-based) devices. Digital initiatives that are well under way include Job Scheduling in France and Search & Match in the Netherlands. Job Scheduling focuses on a self-service system for clients and candidates, supported by automated scheduling. The innovations will address our Inhouse Services customers and those with large resource pools that need to be planned and serviced in a modern way. Search & Match focuses on creating better candidate profiles through a seamless experience for our talent, combined with intelligent online questionnaires, better search tools, and improved matching algorithms. In addition, several operating companies are working on promising local initiatives, such as the sales services based on Big Data in France, the Netherlands, and the US.

All these digital initiatives demonstrate how our 'Tech & Touch' approach is transforming the way we work. Randstad is evolving from its traditional branch-based business into a hybrid model, where we deliver multiple tools to both clients and candidates, which help in increasing efficiency and engagement.

Randstad Innovation Fund (RIF)

As a strategic venture fund dedicated to HR technologies, RIF selects early- to expansion-stage companies that are leaders in their fields. Our goal is to take minority participations, in the range of € 1–5 million, alongside reputable venture capital firms or professional investors.

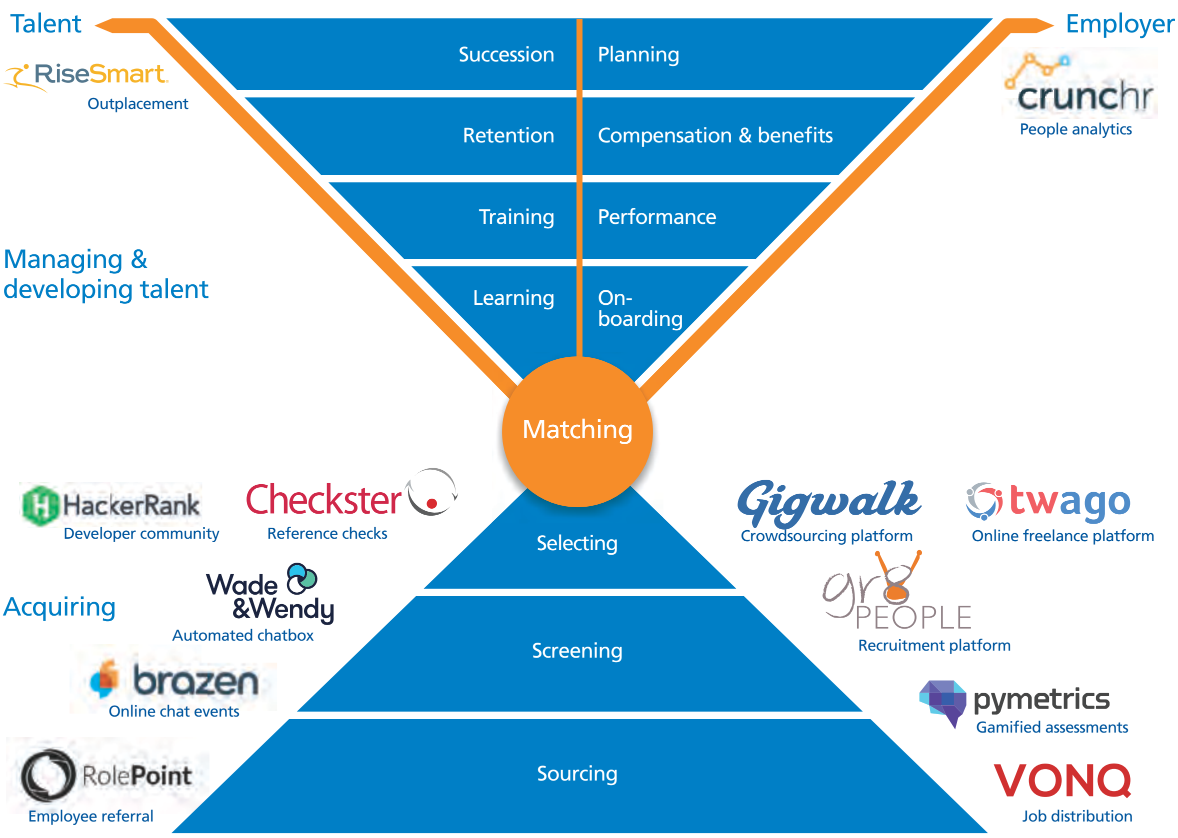
Increased expertise and best practices provide unique value to all our stakeholders and complement our global brand and customer differentiation. RIF's ambition remains to be at the forefront of HR technology with disruptive investments, as well as to actively contribute to the more mature and global deployments of innovation within Randstad.

Out of a universe of 2,500 players and close to 500 prospects a year, RIF made five new investments in 2016. Talent acquisition and engagement, as well as onboarding, were strongly in focus.

In its three years of existence, Randstad Innovation Fund has succeeded in establishing a recognized operating model and thought leadership. Through its growing expertise and investments, RIF continues to fuel the Group with innovation and digital transformation.

HR technology landscape

Enables innovative offerings in multiple strategic fields



Our strategy: superior brands

Our superior brands are a guarantee to our clients that they will receive the highest quality service and the best employees worldwide. Superior brands give us better pricing options and the type of awareness that accelerates selling and prospecting, as well as introducing new services. Superior brands also help us attract, recruit, and retain the best people, while enhancing our visibility and credibility with regulators and legislators.

Randstad is our main brand in most of our markets. However, in cases where the market situation makes this beneficial, we make use of other brands. This focused, centralized brand strategy enables us to leverage brand recognition, generate efficiency benefits for our online strategy, and share experiences across the Group. It also generates momentum behind our joint sponsorship initiatives, and we achieve significant cost reductions by sharing campaign materials, photo databases, and know-how. This has led to consolidating our brand awareness.

Our international reports on the world of work continue their rapid rise in visibility and popularity. Randstad Sourceright issues a well-received annual 'Talent Trends' report globally. The quarterly Randstad Workmonitor is now used in 33 countries, and our independent Employer Brand Research that recognizes major employers in specific markets, has now been extended to 25 countries (see the section 'Randstad Employer Brand Research').

"I connect real-time with my paycheck"

Brand image

The level to which our clients and candidates are engaged with our brand is systematically measured and benchmarked in all major markets and in comparison with all major competitors. TNS Nipo has conducted the Randstad Brand Tracker survey since 2004. This international study covers all countries in which Randstad is active. Its main purpose is to monitor the positions of the Randstad brands, compared to our competitors and selected other benchmarks, by measuring awareness, consideration, preference, recommendation, and the image of our brands. We also measure our brand image using an international methodology for rating brands in different product categories. We ask our target groups to what extent they associate 48 attributes – such as innovation, integrity, social responsibility, and best brand – with Randstad and competing HR services companies.

Net Promoter Score (NPS)

The Net Promoter Score represents the relationship between temporary employment agencies and their potential and actual candidates/clients. This indicator compares the number of respondents who would recommend the company in question with the number who would not. Our goal is to always have a Top 3 NPS score in our key countries, which we achieved in 2016. Several of our operating companies also monitor client and candidate satisfaction through bespoke surveys, ISO and other certification systems, as well as review meetings. This enables them to not only measure NPS, but also the drivers behind the scores. In this way, we can continuously improve satisfaction levels of both clients and candidates.

Reputation

In addition, we use RepTrak, a standardized scorecard, to analyze Randstad's reputation annually. This instrument provides us with detailed feedback on how our various stakeholders perceive our company: how investors and clients rate our performance, whether they are willing to support us, whether Randstad is a good place to work for employees and candidates, and how Randstad is perceived in society in terms of governance, citizenship, and leadership. We have been among the Top 15 corporate brands in the Netherlands for many years. The Reputation Institute's Global Pulse study measures 600 companies globally. Companies are rated in their home country only. Brand image, reputation, and client and candidate satisfaction all contribute to gaining profitable market share, one of our key performance indicators.

Engaging with our clients and candidates

Being a global leader in HR services, we see it as our responsibility to take an active role in developing our industry. Besides our international research and reports, such as the Randstad Workmonitor, the annual Randstad Employer Brand Research, and the Talent Trends report, many research projects and events take place on a country level, supporting us and our clients in making sound business decisions.

Randstad Workmonitor
The Randstad Workmonitor survey provides a comprehensive understanding of job market sentiments and employee trends. In addition to measuring mobility, it also measures employee satisfaction and personal motivation. The survey includes a rotating set of themed questions. It is conducted via an online questionnaire among a population aged 18–65, working a minimum of 24 hours a week in a paid job (not self-employed). The minimum sample size is 400 respondents per country. First introduced in the Netherlands in 2003, the survey now covers 33 countries around the world, encompassing Europe, Asia Pacific, and the Americas. The Randstad Workmonitor is published four times a year, making both local and global trends in mobility visible over time on a regular basis. The results are published on our corporate website. Topics surveyed in 2016 include the impact of technology and digitalization on people's jobs; an aging workforce and the skills gap; gender equality in the workplace; and economic outlook and the importance of having a digital strategy.

Randstad Employer Brand Research
The impact of building a strong employer brand is immediate: stronger brands attract more and better candidates, and they benefit from faster hiring times, stronger employee engagement, increased retention rates, and lower recruitment costs. These gains turn into longer-term measurable business impact through stronger employee engagement and increased productivity of the workforce.

The Randstad Employer Brand Research (previously known as the Randstad Award) is the most representative and inclusive employer brand research in the world. It is a study capturing the opinion of the general public between 18 and 65, in 25 countries, dealing with the largest companies per country based on number of employees. It is a study providing unique insights into the world of work. Our ambition is to become a leading voice in employer branding conversations, providing dedicated content to various target audiences, supported by the largest knowledge hub in employer branding. In 2016, the research was conducted for the 16th time.

As part of the Randstad Employer Brand Research, respondents are asked which aspects they value in companies when choosing an employer. They are then asked whether they know the companies selected in their country and whether they would like to work for those companies. The survey includes a ranking of the most attractive industry sectors and a ranking of the most important aspects for candidates when looking for a new job. Our research provides vital insights into how a company can build its talent attraction and engagement strategy, and drive business success.

The participating countries organize their local Randstad Employer Brand events, engaging key players in the local HR industry and celebrating the winner of the research as being the most attractive employer of that country.

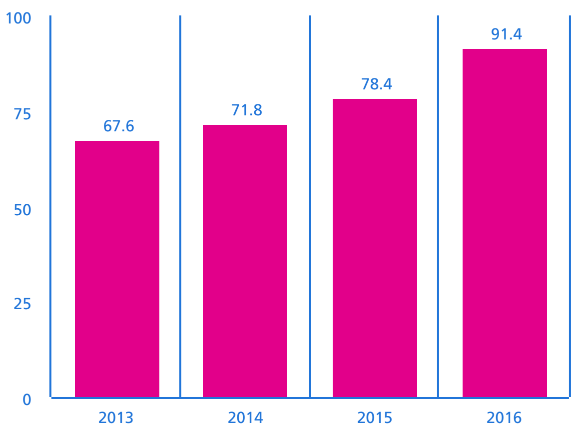
Randstad Sourceright - Talent Trends Report 2016
Randstad Sourceright's Talent Trends Report 2016 is a comprehensive guide to 30 of the most important trends impacting the world of talent, employees, and business. The report is based on a global survey of 400 global HR and talent acquisition leaders from more than 60 countries. By capturing the outlook of their peers, the report enables HR and talent acquisition leaders to benchmark how their strategies and execution stack up against fellow talent leaders. The report provides best practices for HR leaders to adapt to talent scarcity challenges, based on the explorations of global workforce trends, and with the opinions of industry thought leaders from across the talent management space.

Client Relationship Management
Strong relationships with clients lead to increased customer loyalty. We are proud that the client retention rate of our strategic and core clients is more than 99%. Our Client Relationship Management was assessed as best in class by RobecoSAM in the Dow Jones Sustainability Index.

Employability advancement
Ongoing skills development is essential for employability and sustainability in any workforce. Our training programs are tailored to meet the needs of clients and candidates in individual employment markets. Such programs include courses specific to IT, sales, contact centers, hospitality, and technical skills. Specialized programs leading to additional professional qualifications are also part of training and development. More information about our local initiatives in employability advancement can be found on our corporate website. The development of funds invested in training and development of candidates in recent years is shown in the graph 'Candidate training costs'.

Candidate training costs

in millions of €



Randstad Williams Engineering Academy (RWEA)
The RWEA is the first program of its kind to identify young students from across the globe and guide them towards a career as Formula One engineers. Eleven students from six

"I can share a job opening online with my consultant"

different countries joined the Academy in September 2015. In twelve months, the students completed a series of e-learning-based tasks on various motorsport engineering-related themes. They also worked on an essay-based project and received mentoring and tutoring from engineers at Williams. This is a competitive scheme, with the number of students in each cohort gradually reducing from the time they join (aged 16–18) until the completion of their university studies. Based on various performance criteria, Williams and Randstad decided to retain eight students, who have now started on Year 2 of the program.

In 2016, Randstad and Williams announced the nine students selected to join the Randstad Williams Engineering Academy's 'Class of 2016' – the second intake of students to join this innovative scheme. These students were selected from a pool of candidates competing in the 2016 F1 in Schools World Finals competition held in Austin, Texas, from October 16–18, 2016. F1 in Schools is a global not-for-profit STEM competition that sees students design, build, and race miniature racing cars.

Youth employment

Youth unemployment at large is projected to rise to 12.8% globally by 2018. But unemployment does not paint the total picture, as many who have left education do not even appear in labor market statistics. The risks posed by having an entire generation 'scarred' by negative long-term effects of unemployment have prompted many governments to take firm action. However, government programs cannot solve the entire issue alone, and well-coordinated efforts must come from all key stakeholders, including employers, trade unions, NGOs, and young people themselves.

Recognizing skills and striving for an inclusive labor market are key in helping youth navigate their way to sustained employment. Improving youth labor numbers requires an in-depth understanding of employment and labor market issues at local country level. Effective cooperation between the private employment industry and various public partners will be the recipe for success in combating youth unemployment.

During CSR Europe's Enterprise 2020 Summit in 2015, Randstad announced the launch of the European Pact for Youth. This is a pledge from EU and business leaders on the joint delivery of jobs, growth, and investment for the benefit of young people in Europe, including three objectives: to boost the number and quality of business-education partnerships, reduce the skills gap, and contribute to EU and national policy developments on skills for employability. Randstad was one of the co-writers of this mutual engagement of business and EU leaders, drafting it jointly with, among others, CSR Europe and the European Commission.

The first leaders’ meeting of the European Pact for Youth in Brussels, held in May 2016, focused on the transition to jobs through apprenticeships and traineeships. At this meeting, our CEO spoke about how the future of work will bring radical change for talent, companies, and society – a change that sees digitalization disrupt many traditional approaches, from education to employment. The group of leaders, representing a variety of companies, institutes, sectors, and regions, reflected on the progress made towards the target of 10,000 new business-education partnerships, and 100,000 new good quality apprenticeships, traineeships and entry-level jobs. In addition, the group presented the first joint proposal on how to increase youth employability, enhancing transition to jobs by making vocational education and training, as well as apprenticeships, an attractive and fair choice for young people across Europe. The meeting was hosted by Marianne Thyssen, European Commissioner for Employment, Social Affairs, Skills and Labour Mobility, and Viscount Étienne Davignon, Minister of State and President of CSR Europe.

Our operating companies offer an array of initiatives to assist young people in finding the right job. Randstad Italy created a specific department dedicated to such activities, called Youth@Work. The department aims to contribute to reducing the gap between education (school and university) and the job market. More information about this initiative and over 20 other local initiatives on youth employment can be found on our corporate website.

Diversified workforces

We value diversity. We do not discriminate on the grounds of age, skin color, disability, gender, marital status, nationality, race, religion, or sexual orientation, and we have a non-discrimination policy to underline this. Many of our operating companies have long-standing diversity and reintegration programs, and some provide consultancy services to clients on equal opportunity and competency management. By forging links with local community stakeholders, including public, private, NGO, and institutional partnerships, we stimulate diversity in the workplace. Our Randstad Institute in France and our foundations in Germany and Spain provide access to employment for disadvantaged groups, such as immigrant workers, women at risk, victims of domestic violence, single parents, older workers, and the long-term unemployed. Addressing the challenges that the growing number of older workers face in entering, re-entering, or staying active in the workforce is also part of our approach to furthering employment market sustainability.

In line with our aim to promote diversity in our workforce, we also welcome candidates with a disability. We have found that registration of disabled candidates varies in the different countries in which we operate. This may be related to local legislation, but also to the personal wishes of the people concerned. In addition, we are running a variety of local programs to advance employment participation of minority groups. More information about our local initiatives regarding diversified workforces can be found on our corporate website.

A healthy and safe work environment

Caring for people is embedded in our core values and forms a mandatory part of our induction programs. It is in this context that our consultants work with clients and candidates to support workplace safety. Several of our operating companies have specialized health and safety managers to provide guidance. We advise our clients on matters of occupational health and safety; for example, by pointing out how to prevent workplace risks and by providing 'security at work' training. Formal audits at client locations are conducted in some business areas, such as construction, where taking extra health and safety precautions is best practice. More information about our local initiatives for a healthy and safe work environment can be found on our corporate website.

Health and safety is also an ongoing topic at the European Platform meetings, a Randstad network of national works council representatives, in which candidates are also represented.

In 2016, we developed a global Health & Safety Policy. This policy states that Randstad is committed to providing and maintaining a healthy and safe work environment, and promotes well-being at work, doing all that is reasonably practical to prevent personal injury and illness and to protect our candidates, employees, clients, and visitors from foreseeable work hazards.

All employees across the labor market have a right to a healthy and safe work environment. Our health and safety management is organized locally at operating company level, designed to safeguard business continuity and deal with risks. Our operating companies adhere to all applicable local standards and regulations, and are expected to have a sophisticated health and safety structure in place. We track sickness rates, work-related accidents or incidents resulting in lost-time injury, as well as work-related fatalities, both for employees and candidates. Fatal incidents are immediately reported to the Executive Board.

In the past year, we provided work to more than two million people. Our first duty as a company is to make sure we do not send anyone into a work environment that may be harmful to them. Unfortunately, despite our best efforts, accidents occurred that resulted in injuries. The aggregated number of work-related injuries among our candidates globally amounted to 24,972 (2015: 23,288), while the number of working days lost due to these injuries added up to 338,797 (2015: 308,820). Based on these data, our 'injury rate' is 0.2%.

Much to our regret, in 2016, we were also confronted with ten fatal incidents among candidates:

Number of fatal incidents among candidates

	2016 [1]	2015
At work		
USA	1	0
Netherlands	1	0
Germany	0	3
Belgium & Luxembourg	0	2
France	2	3
Italy	0	1
India	0	4
In traffic (while working)		
France	1	0
Belgium & Luxembourg	0	1
Japan	2	0
India	3	1
	10	**15**

1 Excluding natural causes.

As of this year, we no longer report on fatal incidents due to natural causes at the workplace. Regretfully, we cannot influence such incidents by promoting better procedures and a safe work environment at our clients. The numbers of 2015 still include six cases that were due to natural causes. The fatal accidents in traffic relate to car accidents. Following certain incidents, we were able to work with our clients to further improve safety conditions and instructions.

We treat prevention, training, and safety awareness in general as very important subjects. We realize that while a zero score may prove impossible to achieve at the scale we operate; this is nevertheless the only acceptable target.

value for our employees

Our strategy: best people

The true value of our business lies in our people. We take pride in working with the best talent in the industry. Randstad attracts agile and adaptable people, capable of effectively dealing with and responding to rapidly changing circumstances. We challenge them to perform to the best of their ability and seize the opportunities a multinational company can offer. We challenge ourselves to provide our employees with an open and inclusive climate, which engages them and fosters individual development. The following key performance indicators show our 2016 progress on our strategic building block 'Best People':

- Employee retention was greater than 75%, with more employees staying within their operating company and fewer transferred within the Group;
- Overall outperformance of Randstad (engagement score) increased from 66% to 67%, showing a steady improvement across almost all countries;
- Proportion of women in senior leadership stabilized at 45.2%, which is close to our target of 50%.

Making strong concepts work

Attracting, developing and retaining the best people is facilitated by a strong partnership of Randstad's leadership and human resources. As we set high standards and ambitions, it is essential our HR function focuses on enabling business performance. To this end, we follow clear and simple HR Standards, designed to guide our HR professionals through robust HR processes. In 2016, we made industry leading changes in our performance management philosophy and laid the groundwork for innovation, digitalization, and the enablement of technology as key business drivers.

Randstad leadership

Randstad's leaders have always focused on supporting progress, ready to fuel our clients' and talents' ambitions, to create opportunities, and to help them achieve success. In today's ever-changing world of work, our leaders will continue to take this approach. Randstad leaders are known for their ambitious strategy, combined with excellent execution and agility, as well as their ability to 'think global and act local'. By embracing innovation and technological advances, Randstad leaders make intelligent choices, while not losing sight of the human side of our business. This means they can effectively connect with stakeholders, partner with candidates and clients, and lead both their own team and our global organization to success. This is what makes Randstad unique.

Attracting the best people

We understand how important it is for people to have a challenging job, as well as the opportunity to develop themselves. It is our passion and pride to ensure our people enjoy the best work environment, excellent training, exciting opportunities, and all the support they need to develop their full potential. We attract the best people, and we invest in their development. 'Great people, Great opportunities' – that's our promise.

Great people, Great opportunities

Great people, because we:	Great opportunities, because we offer:
Work together	Diverse career paths
Are customer-focused	Global mobility
Can be trusted	International trainee Programs
Are proactive	World league Programs
Are driven and motivated	A valuable brand
Are high achievers	A highly dynamic environment
Care about details	80% internal promotions
Are industry experts	VSO volunteering assignments

With the release of Great People Survey results, national and local leaders conduct thorough research into their respective findings and subsequently build action plans to maintain areas of strength and address areas for improvement. Randstad's focus on the overall employee experience revealed by the Great People Survey results drives the engagement, commitment, and retention of our employees worldwide.

In 2016, the criteria valued most by Randstad employees worldwide related to a pleasant working atmosphere, interesting job content, and a long-term job perspective. The criteria that could be improved relate to management assessment and a clear direction for the company's future.

Developing great people

We believe the ability to adapt to ever-changing business environments is critical in careers today. Continuous learning is a crucial part of this. At Randstad, we encourage development by taking a multi-faceted 'blended' approach to learning and by continuously improving our offerings. In collaboration with our partners, we are innovating in both content and style, while utilizing our company's digital delivery capabilities. At the same time, we strongly believe learning is most powerful on the job and through mentors, in both formal and informal settings.

Our Learning & Development strategy defines the knowledge, skills and competencies required by our workforce, and how these can be developed. To ensure a sustainable, successful organization, people development at Randstad is transformational, proactive and future-focused. We make use of 'blended learning' (70-20-10 model), which at Randstad comprises the following:

- On-the-job learning to develop employees within their roles (70%);
- Coaching to support employees in achieving their personal and professional goals (20%);
- Training programs to develop the knowledge, skills, and competencies employees need for continued career development within Randstad (10%).

Culture and behavior

Ensuring our employees across the globe understand our company's strategic goals, business principles and operating guidelines is an important component of our short and long-term business model. Stated simply, global alignment unites our workforce. Randstad invests in learning & development programs at both the local and holding level where standards, core values, and employee expectations are described, modeled, and applied in real-time learning environments. For employees wishing to work abroad, our Intercultural Management Program teaches you how to increase your effectiveness in an international setting. In addition, participants gain insight into their own and other cultures and how this affects behaviors, reactions, expectations and assumptions.

On-the-job learning

All employees starting in a new role follow a formal induction program in the first few months, which helps them to become successful in their new role as quickly as possible. The program covers our ambitions, strategy, values, culture, history, and corporate policies, as well as targeted and relevant job-related information. Randstad tracks the effectiveness of the induction programs by measuring time to productivity and other success metrics. Immediately after the induction program, an individual development plan is created to further enhance the employee's skills and competencies.

Spotlight on mentoring

In 2016, 36 professionals representing 11 countries across Randstad participated in a 10-week mentoring certification program. They will now incorporate mentoring as an effective individual development approach for employees who have already completed our new hire onboarding process and for high-potential leadership development. This is done through virtual mentoring and peer networks.

Coaching and mentoring

At Randstad, we work with the best and learn from the best. Through developmental relationships, Randstad employees are coached or mentored by a senior leader. These initiatives are generally organized locally, but are also offered as an integrated part of certain learning & development programs.

Senior leaders are also offered coaching by professional external coaches to enable them to achieve specific personal or professional goals. As part of the Frits Goldschmeding Academy, the Sales Leadership Program and the Senior Executive Program include professional coaching facilitated by certified trainers and/or coaches.

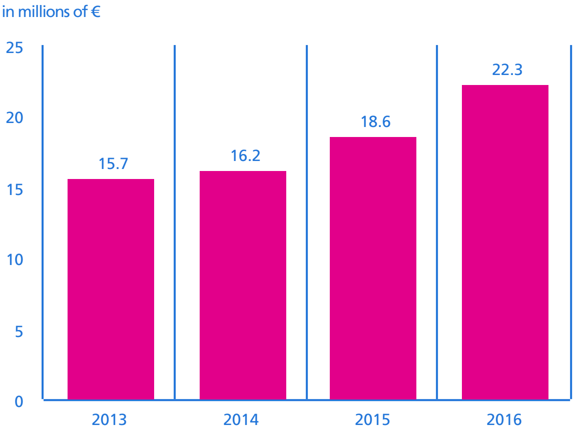
Finally, in many global businesses, Randstad employees receive 360-degree feedback from their colleagues, their manager, direct reports and other stakeholders. This thorough process, which monitors the organizational climate, leadership styles, and competencies, is aligned with Randstad's leadership vision and model.

Training programs

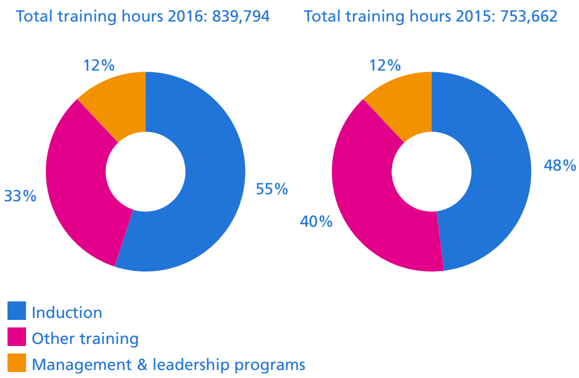
In our training programs, we offer combinations of action-based learning, classroom-based skills training, e-learning, virtual classrooms, and gamification. Our programs are always competency-based and focus on soft skills, sales, leadership skills, and job-related skills. They are offered at all levels within the organization. For field positions, we have dedicated training programs focusing on operational skills and specific knowledge required for the job.

The graphs 'Employee training costs' and 'Employee training hours' show our commitment and investment in terms of both costs and time spent on developing our employees.

Employee training costs



Employee training hours



Randstad offers programs on a local, regional, and global level. On a local level, the programs are developed by the operating companies, sometimes in cooperation with business schools. Regionally and globally, the Frits Goldschmeding Academy offers state-of-the-art leadership programs, aligned to our strategic objectives. Key themes for Randstad are leadership, digitalization, and innovation.

The programs are created in cooperation with leading global business schools and partners, such as INSEAD, TIAS, IMD, SMU, and Stand & Deliver Group. Our senior leadership is closely involved in the development and delivery of the programs. In 2016, the Frits Goldschmeding Academy trained 340 senior leaders in 11 different development programs.

Talent management

Randstad recognizes the importance of talent management as one of the key factors underpinning company growth and ensuring the continuity of our business. We develop and promote talent – both future leaders and highly skilled experts – for our current needs, while also anticipating future needs and preparing the next generation for new roles.

E-learning platform catering to all

It's a key part of their Learning & Development offering, the e-learning platform of Randstad UK. Over the past two years, 85 courses have been produced covering a range of topics, business specialisms and core compliance requirements, accessible to all individuals. Based on the success of the platform, the tool has also been opened partially to candidates and expanded to Randstad in Southeast Asia.

Having a centralized global learning platform should be the goal of every organization, and we're nearly there. One platform delivering world-class learning to our global leaders ensures alignment, common messaging, and singular focus.

Through our talent management process, we use strategic human resource planning to improve Randstad's business value and make sure we reach our goals.

Talent management enables us to:
- Attract high-caliber people;
- Identify and develop our talents;
- Continuously anticipate needs for future positions on a local and global level.

The annual Talent Review process forms the foundation of Randstad's leadership and talent management approach throughout the company. This process addresses the performance and potential of all employees on an individual level. Randstad's senior leadership (up to and including the Executive Board) takes a keen interest in Randstad's human resources and continuously reviews the company's strategic workforce planning, focusing on the strengths and development needs of our senior leadership, succession plans, pipeline development, and future leadership talents.

Senior Executive Program

In 2016, we revamped the Senior Executive Program (SEP), a global development program for senior leaders that focuses on executive leadership development and the implementation of Randstad's Tech & Touch strategy. We also integrated our new learning philosophy, which focuses on experimental learning, shifting root perspectives, and behavioral change driven by business context (outside-in transformation).

We believe learning is most powerful when we encourage growth by pushing our leaders out of their comfort zone. This may involve a new geographical location, a new department, and/or a new business line. Such moves will deepen understanding of our clients' needs, providing unique insights and strengthening our world view.

As a company with a global footprint, we require our local leaders to operate effectively and comfortably in a global environment. The nature of our company provides ample opportunities for employees to further develop their leadership skills, to acquire and build a global mindset and awareness, and to effectively manage and leverage cultural differences.

Randstad's World League Programs are designed to develop our functional communities (Finance, Legal, HR, Marketing & Communications, and IT) in the areas of people and organization, and the way these functional communities act as business partners to line management. The programs provide a shared vision, mission, and language for key behaviors, skills, and knowledge within each function, supported by specific tools and development actions. World League Programs enable the global functional communities to deal with performance and development needs in an aligned and constructive way.

Achievements so far include development-related initiatives, such as High Performing Business Partner 2.0, which offers training for key talents in all functional areas. In the field of marketing, we offer the Professionals Services Leadership Initiative. In addition, targeted functional training programs and leadership programs for Finance (IFMP) and HR (HRDP) have been conducted.

The success of the World League Programs is reflected in solid talent pipelines and global appointments in key talent functions.

Performance management and reward

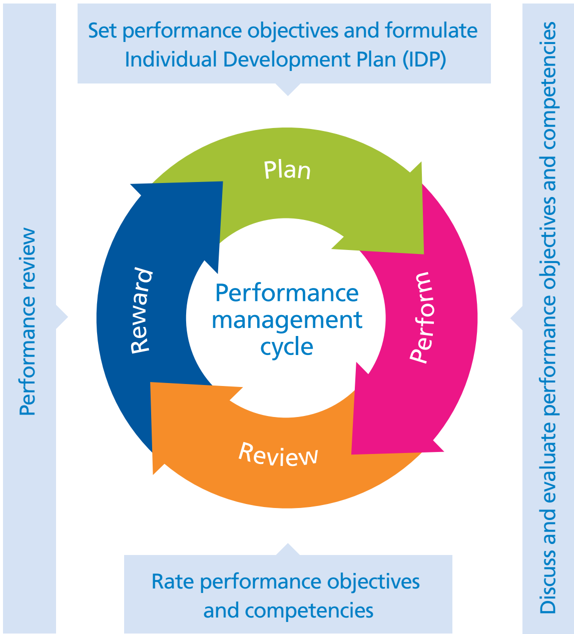
To motivate employees to perform to the best of their ability, it is essential for Randstad to align our performance management system with our Tech & Touch growth strategy. The traditional system of annual reviews with its focus on past performance and ranking is no longer adequate to cultivate talent and increase productivity. Randstad has therefore decided to replace the annual reviews with frequent performance discussions. This is for a number of purposes:

1. To continuously align goals with ever-changing business priorities;
2. To allow for future focus development;
3. To enable culture change.

Key to our new performance management system is Great Conversations, an overarching principle ensuring every communication is Meaningful, Aspirational and Progress-based.

Having a total reward strategy linked to our business goals is crucial to attract and retain our employees. We aim to provide our employees with meaningful rewards that influence their

Performance management cycle



affiliation with our company, while encouraging outperformance.

For our senior leadership, a long-term incentive plan is in place by means of a performance share plan. The purpose of the plan is to retain our best people and to drive and reward sustained performance of our company by sharing in success. To encourage our corporate employees' affiliation with Randstad and to enable them to participate in Randstad's success, an employee share purchase plan is in place, with currently over 10,000 active participants.

Randstad outperformance

At Randstad we believe our ability to engage our people, empower our leaders, and enhance our strong culture. All encourage innovation and accountability, eventually leading to business outperformance. Once a year, we monitor our progress through our Great People Survey. This measures employee views on key factors that make our company an 'outperformance organization'.

Randstad outperformance

In 2016, the participation rate of the Survey was 82% (2015: 81.7%). Compared to 2015, our results on Empowerment & Engagement, Leadership, and Organizational Capabilities increased. This resulted in a higher score on outperformance. Of all Randstad employees, 67% agree or strongly agree with the statement that Randstad is an outperforming organization, resulting in a score that is close to the Service Provider Benchmark (Source: TNS).

Randstad outperformance by geography

as % of total number of respondents

	Outperformance score		Benchmark	
	2016	2015	2016	2015
North America [1]	76%	75%	70%	73%
Netherlands	65%	68%	70%	69%
France	61%	56%	58%	63%
Germany	66%	64%	63%	68%
Belgium & Luxembourg [2]	64%	57%	61%	69%
Iberia [3]	73%	70%	66%	66%
United Kingdom	72%	70%	66%	65%
Other European countries	62%	64%	n.a.	n.a.
Rest of the world	61%	62%	n.a.	n.a.
Corporate	76%	71%	n.a.	n.a.
	67%	**66%**	**68%**	**67%**

1 Benchmark only available for the USA.
2 Benchmark only available for Belgium.
3 Benchmark only available for Spain.

Source: Great People Survey

Attracting new employees with the capability to succeed at Randstad is a core element of our business success. Randstad actively manages and evaluates the capabilities needed for success and ensures these elements are incorporated into onboarding, learning and development, and leadership metrics. As a result, our global employee retention rate goal is 20-30% with variation driven primarily by local market conditions.

Employee retention rate

in % of total number of employees

	2016	2015
Employees staying with their operating company	75.7 %	75.5 %
Employees transferred within the Group	0.4%	1.7%
	76.1 %	**77.2 %**

Internal promotion

'Great people, Great opportunities' is also reflected in our ambition to offer talented employees internal growth opportunities. When business allows, vacant leadership positions are first offered to our own employees. In our mature Staffing & Professionals markets, we strive to fill 80% of our leadership roles internally. Compared to 2015, we saw a slight improvement in our internal appointments from 67.3% to 67.5%. The number of internal leadership appointments (647) also increased compared to 2015 (441).

Internal leadership appointments by geography

	Total number of appointments		% Internal appointments	
	2016	2015	2016	2015
North America	226	68	62.8%	67.6%
Netherlands	21	106	95.0%	69.8%
France	23	19	73.9%	73.7%
Germany	7	7	57.1%	85.7%
Belgium & Luxembourg	-	-	-	-
Iberia	7	15	71.4%	60.0%
United Kingdom	117	29	53.8%	72.4%
Other European countries	103	40	72.8%	62.5%
Rest of the world	136	119	63.2%	63.9%
Corporate	7	38	57.1%	68.4%
	647	**441**	**67.5%**	**67.3%**

A healthy and safe environment

Our operating companies use a variety of measures designed to advance employee well-being. These include procedures to promote safety at work, training programs, health checks, and services and products to enhance overall employee wellness. In several countries, we have formal agreements with trade unions on health and safety topics.

Our companies offer employees an array of programs, services, and products to stimulate their well-being. Randstad Group Belgium and Randstad Group Netherlands offer an online platform that helps employees achieve a healthy lifestyle. Employees can take several modules (e.g., stress, weight, or sports), and if they have specific questions, they can consult specialists. More information about our local initiatives for a healthy and safe work environment can be found on our corporate website.

We aim to achieve a sickness absenteeism rate that is lower than the national average. If this target is not met, we will implement performance improvement programs. In 2016, the overall sickness absenteeism rate was 1.8% (2015: 2.4%). The total number of working days lost due to sickness absenteeism amounted to 153,647 (2015: 182,883).

Randstad has aligned crisis and continuity plans in place, and in 2016 we developed a global Health & Safety Policy. Serious security incidents are reported (and in some cases dealt with) at the highest level. Despite our high safety standards and prevention measures, we have not been able to prevent all accidents. In 2016, we were faced with several incidents in the workplace, causing 217 injuries among our corporate employees (2015: 280). The number of working days lost due to these injuries amounted to 944 (2015: 1,861). This results in an overall injury rate of 0.01%.

Diversity and inclusion

Randstad is strongly committed to gender equality. We actively support women climbing the career ladder, both in the core of our organization and at the top. Staffing Industry Analysts (SIA) named eight Randstad executives from around the globe to their 'Global Power 100 – Women in Staffing' list. The publication recognizes influential female leaders in the industry and provides a platform to celebrate many of the talented women shaping the world of work.

Inclusion

At Randstad, we strive to offer an inclusive company culture. We do not discriminate on the basis of age, skin color, disability, gender, marital status, nationality, race, religion, or sexual orientation. We have a policy of hiring and promoting the best person for the job, based on proven performance and potential assessment, and in line with our business principles. We look at diversity and inclusion from a value-add perspective: it helps us to build a more agile, productive, and innovative workforce, and it better reflects our candidate and client base.

A French commitment to an inclusive place to work

In 2016, Randstad France renewed for a second time its certifications 'Diversité' and 'Egalité professionnelle' (Diversity and Gender Equality). This renewal marks the advance of Randstad France on diversity and inclusion.

Proportion of women in senior leadership positions[1]

	Women in organization (as a % of total number of staff)		Women in senior leadership positions (as a % of total number of senior leadership positions)	
	2016	2015	2016	2015
North America	60.3%	60.8%	46.0%	47.7%
Netherlands	70.8%	69.2%	35.8%	39.5%
France	76.0%	77.0%	48.2%	47.9%
Germany	59.8%	58.7%	41.6%	38.9%
Belgium & Luxembourg	85.1%	85.4%	50.0%	57.9%
Iberia	77.8%	77.7%	52.1%	54.7%
United Kingdom	56.2%	59.4%	46.4%	51.7%
Other European countries	74.4%	77.7%	51.3%	53.1%
Rest of the world	58.4%	57.2%	41.9%	44.1%
Corporate	47.7%	46.5%	35.9%	31.7%
Total	**67.3%**	**67.2%**	**45.2%**	**46.4%**

1 Senior leadership refers to all levels equal to or above district/regional management, including account management or commercial management reporting to a regional director or higher.

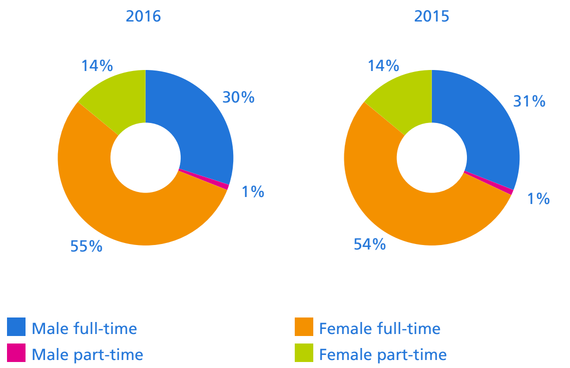
Source: Great People Survey

Locally, many initiatives have been launched that go beyond gender equality to support diversity and inclusion in the broadest sense. For example, Randstad is partner of Workplace Pride, a non-profit foundation promoting greater acceptance of lesbian, gay, bisexual and transgendered (LGBT) people in the workplace. In 2016, for the second year running, Randstad was rated among the Top 5 most-improved companies in terms of LGBT inclusion. Randstad Netherlands partnered with Amsterdam Gay Pride to sponsor the 2016 EuroPride event in Amsterdam, and Randstad Italy was the main corporate sponsor of the 2016 Milan Pride. More local initiatives can be found on our corporate website.

Social acceptance

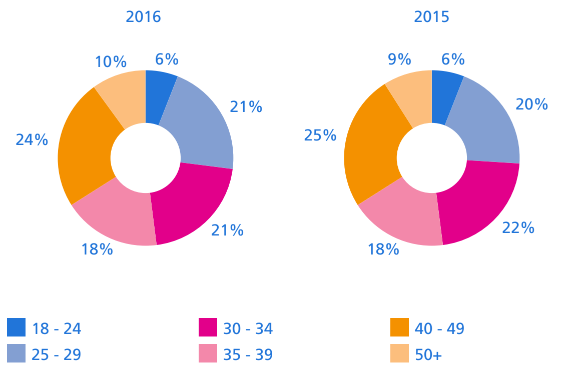
Our commitment to diversity is reflected in the active stance Randstad takes when promoting diversity through publications. In 2016, the Randstad Workmonitor, a quarterly external survey conducted in 33 countries, showed that employees prefer working in gender-diverse teams. There does not seem to be much difference in the general treatment of men and women in organizations or when they apply for a job or ask for a promotion. Of the respondents, 81% agree that both sexes are treated equally in general, and 70% think that men and women are equally supported. Even so, a strong gender bias still exists in the workplace, as 70% indicate that men are favored over women when two candidates equally qualify for the same job at their workplace.

Composition of our workforce by gender



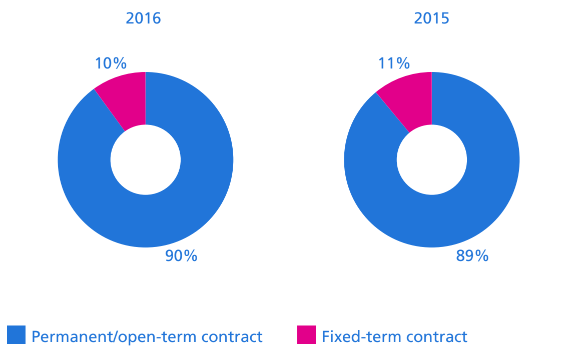
Source: Great People Survey

Composition of our workforce by age group



Source: Great People Survey

Composition of our workforce by type of contract



Source: Great People Survey

value for society

Our role in society

Our core values inspire us to conduct our activities, both inside and outside the corporate environment, in a sustainable manner, and to use our knowledge and experience to make a positive contribution to the world around us. At the same time, we believe our industry has a unique opportunity to help create a truly sustainable future, both socially and economically, by literally shaping the world of work.

For example, we can make a meaningful difference by using our knowledge and services to influence diversity, social cohesion, and inclusion in the world's employment markets. Research shows that countries with more developed HR services markets typically have lower overall unemployment and fewer people in long-term unemployment. These markets are more inclusive and suffer less from unfair working conditions, exploitation, and irregular work.

We are well-positioned to help address the growing challenges the employment markets are facing around the world. These challenges include structural shortages of skills and talent, declining population growth, cultural changes in the way new generations view work, as well as the demographic challenges posed by aging populations in many Western economies.

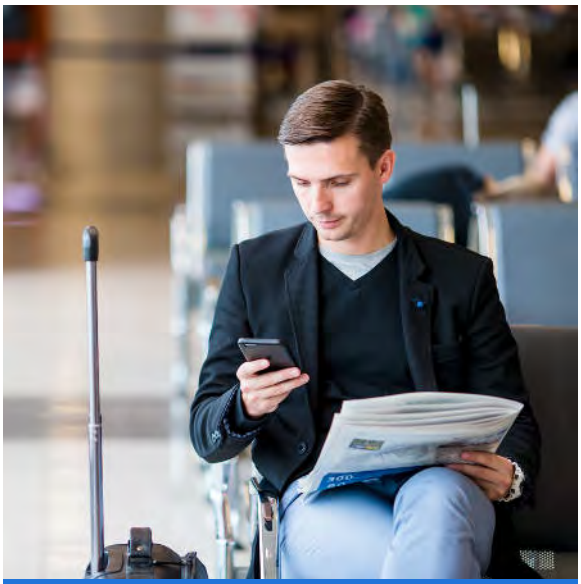
In 2016, for the first time, we made an inventory of all social labor market projects our various operating companies are running at a local level. The results of this process reveal 88 social programs that enable society as a whole to benefit from our activities. An overview of these local sustainability initiatives is given on our website.

Of course, we also address sustainability issues common to all businesses, such as our environmental impact and how we affect the world around us. These issues are addressed by our sustainability framework, and we measure our progress in this area. This is an integral part of how we safeguard our business and its long-term viability, while taking into account the interests of all our stakeholders.

Stakeholder dialogue

To inform stakeholders, Randstad regularly publishes research results and reports. One of our key surveys is the Randstad Workmonitor. Published four times a year, the Randstad Workmonitor reports make both local and global trends in mobility visible over time. The results are published on our corporate website.

To enhance labor market knowledge, Randstad has developed leading programs. In recent years, together with a number of academic partners, we carried out studies into the implications of future demographic shifts for global employment markets. Results were published in the 'Gap' series, among other publications. Since 2013, Randstad has



"I manage my days off through the employee App"

published Flexibility@work, a yearly report on flexible labor and employment. The 2016 edition, launched at the OECD Forum in May 2016, included a study on the future of work in the digital age by M. Goos and J. Konings of the University of Leuven. In the first quarter of 2017, together with IZA Institute of Labor Economics in Bonn, Randstad will publish a study of the consequences for the labor market of global mobility and labor migration.

Besides our global research and publications, Randstad also collects industry insights and conducts research through its operating companies around the world. This work yields a valuable source of information for local stakeholders. Relevant publications issued include the World of Work research (Asia Pacific), the Workpocket (Netherlands, Belgium and others), various salary surveys tailored to specific target groups (e.g., the Professionals segment), white papers, and online polls. More information about local initiatives regarding stakeholder dialogue can be found on our corporate website.

OECD Forum

Randstad was Gold sponsor of the OECD Forum 2016, which has become a global showcase for thoughtful and revealing discussions on economic trends, especially on the topic of human capital. This year, the main emphasis was on the need for policies that strengthen productivity, which will help promote inclusive and sustainable growth. Since the crisis, productivity growth has slowed and inequality has worsened. Addressing inequality is essential to ensuring more productive economies, while allaying conventional fears that increasing productivity means working longer, harder and later in life.

HR Transformation Forum

Since 2014, Randstad has hosted the HR Transformation Forum, bringing together a network of nearly 200 HR directors from global blue-chip companies across Europe. This forum provides them with a platform to candidly discuss the issues they face in their companies' transformations, spur cross-industry fertilization of ideas, and exchange views on the global themes of the future.

In 2016, together with MVRO Management (Transformation Forums in the Netherlands), we moved from discussing what defines an agile organization to showing what the behavior of an agile organization looks like. As keynote speaker, Jacques van den Broek, Randstad's CEO, gave the attending CHROs a deep and transparent look into what Tech & Touch will mean for Randstad going forward.

Workforce360

Randstad shares its insights, opinions, and research on the world of work through the Workforce360 platform. This platform has been implemented on randstad.com throughout Europe, the United States, India and the Asia-Pacific region. It gives our stakeholders the latest industry information, as well as expert opinions from both a global and local perspective. As more Randstad countries are adding it to their websites, the platform will continue to grow.

Employment market KPIs

In accordance with our sustainability framework, we also report on our contribution to employment markets. In this respect, two relevant KPIs are staffing penetration rates and our contribution to the regulation of labor markets. The former shows the development of the number of temporary workers as a percentage of the total labor market, while the latter provides insight into the status of regulation in the main countries in which Randstad operates, as well as the expected trends.

A third relevant KPI is our involvement in national and international employment institutions. The overview 'Highest Randstad positions in industry associations' shows Randstad's participation in staffing industry institutions in countries where we are active and where such associations exist.

Apart from our involvement within these institutions, we are also heavily engaged in key forums and other initiatives through which we focus on social dialogue. How we do this is described under 'Industry involvement'. A list of all our memberships and partnerships can be found under 'Supplementary information'.

Our performance with respect to social involvement and our partnership with VSO can be found under 'Partnerships and social involvement'.

Shareholder return

We maintain an active dialogue with existing and potential shareholders, witnessed by the 40 roadshows, our participation in 11 broker conferences, and two Inhouse & Tech innovation demo days in both France and the Netherlands in 2016. By executing our strategy and achieving our longer-term targets (see 'Strategic priorities and targets'), we believe shareholders will be rewarded with increased total shareholder returns, including improved dividends. Please refer to the investor relations section on our website for more information on this topic.

We participated in 11 broker conferences and held two Inhouse & Tech innovation demo days in both France and the Netherlands.

Industry involvement

We strongly believe that social dialogue and active participation in industry bodies will help produce clear, fair, and workable regulations in the markets in which we operate. By investing in strong industry federations – on a national, regional, and global level – we believe we can contribute to the future development of the HR services industry.

In order to acknowledge the broadening range of services our industry offers, in September 2016, Ciett (International Confederation of Private Employment Agencies) was rebranded as World Employment Confederation. In May 2014, our Group Public Affairs director was elected President of the World Employment Confederation for a three-year term. She has already chaired the European arm of the World Employment Confederation since 2005.

Employee participation in social dialogue

Employee participation in social dialogue is actively promoted through a network of national works councils and dialogue with trade union representatives. Managers and employees across the Randstad Group discuss work- and HR-related issues according to national law and practices. The results of these dialogues are also fed into Randstad's European Works Council, which meets on a regular basis to discuss the strategy and results of the company, HR issues, and information relevant to our employees and operating companies. UNI-Europa, the representative trade union federation for services in Europe, is invited to attend the European Works Council meetings as an observer.

Active dialogue with labor unions

Randstad also actively engages in national and international dialogue with labor unions. At EU level, UNI-Europa and the World Employment Confederation Europe meet regularly in the sectoral social dialogue committee on temporary agency work to discuss issues of mutual importance, and to further professionalize and gain more societal acceptance for the industry. Randstad is represented in the World Employment Confederation Europe delegation. Moderated by the

European Commission's Directorate-General for Employment, Social Affairs and Equal Opportunities, the committee met three times in 2016. The 2016/2017 work program included issues such as promoting national social dialogue through presentations on open-ended contracts for agency workers in France. It also included a presentation from the European Commission on the Posting of Workers Directive, the EU Agenda for the Collaborative Economy (EU DG Grow), and the New Skills Agenda for Europe (EU DG Employment). In 2016/2017, the World Employment Confederation and UNI-Europa will carry out a joint project on 'labor market intermediaries, online talent platforms and the changing world of work', in order to compare them with the characteristics and regulation of temporary agency work.

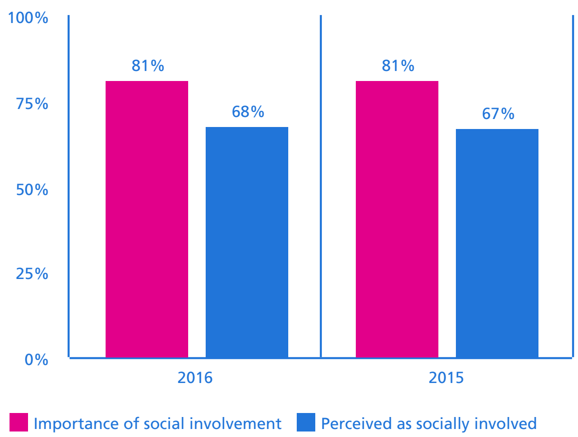
Partnerships and social involvement

Social involvement

Since 2009, we have been measuring staff perception of sustainability in the organization to gain a better understanding of how our own people feel about Randstad's social performance. More specifically, we asked them if they feel it is important for their company to be socially involved, and whether they perceive Randstad as being so. The results are shown in the graph 'Employee perception of social involvement'.

Employee perception of social involvement

as % of total number of respondents



Source: Great People Survey

Voluntary Service Overseas (VSO)

As part of our commitment to sharing expertise for a better society, we have a global partnership with VSO to provide support to communities in countries that need it most. VSO is the world's leading development NGO that fights poverty through volunteers. For almost six decades, VSO has worked relentlessly to help poor and marginalized people build a brighter future. Their experience is that lasting change is delivered through bringing people together – to share knowledge and skills, build capabilities, promote mutual understanding, and collaborate. VSO volunteers share their skills and expertise in areas such as finance, education, healthcare, HR, and business management. As a result, local communities will still benefit long after volunteer placements have finished. Volunteers, in turn, have the opportunity to learn from their peers in developing countries. The knowledge they gain helps them develop both personally and professionally, and they can share their learnings and build on them when they return home. In 2015/16, VSO's volunteers and partners reached more than 2.1 million people.

In 2016, Randstad and VSO renewed their 12-year partnership for a further three years. The aim is to continue to harness the combined strengths of the two organizations to positively impact the lives of some of the poorest people in the world. In line with strategic choices made in 2015, we shifted our resources to targeted countries and programs.

Driven by our (and VSO's) strategic focus on employability, we are now directly supporting two VSO projects that aim to improve employment and entrepreneurship opportunities for the most vulnerable, especially youth and women.

First, the recently created Randstad Youth Employment Project (RYEP) in Tanzania is hosting groups of 2–3 Randstad volunteers in a relay model. In this way, the existing VSO youth employability projects are better aligned, creating more synergy. We will share employability knowledge and expertise, as well as deliver training, workshops and events. Randstad volunteers are also placed on existing VSO youth employability projects where there is an identified need for a dedicated resource (e.g., an industry links adviser, coach/ mentor, or organizational development specialist). In 2016, as many as 14 Randstad volunteers worked for three to six months on different projects in Tanzania under the RYEP umbrella.

Second, through the newly created Aaghaz project in India, we are looking to pair up Randstad International and Randstad India volunteers (also in a relay model) to support with skilling and placing 3,150 vulnerable women from urban slums in five Indian states into formal employment over a period of three years. Specifically, Randstad volunteers will strengthen the capacity of local NGO staff volunteers to collaborate with companies for placement of trainees, as well as training the candidates in soft skills and preparing them for interviews to increase their chances of formal employment.

It is our ambition that by focusing some of Randstad's resources on these specific projects, we will be better able to increase – and measure – our impact over time.

Driven by Randstad's continued commitment to strengthening VSO's core recruitment function, Randstad has enabled capacity building of VSO staff and local partners, not only through employee volunteering, but also through

Randstad VSO volunteers overseas 2012–2016

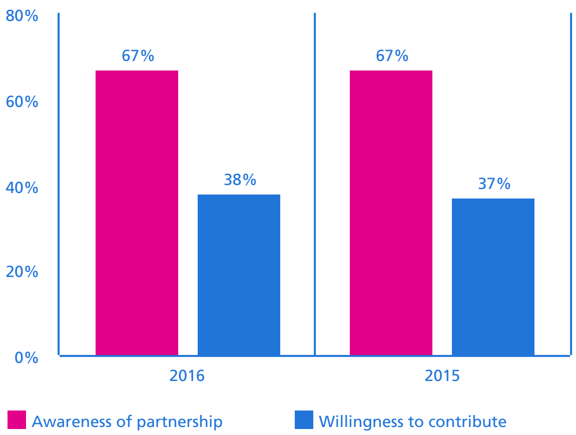
	2016	2015	2014	2013	2012
Volunteer hours	11,000	10,200	10,300	10,500	12,000
Volunteers	22	19	16	15	21

technical support and pro bono services. Randstad has provided four recruitment specialists to develop and/or build the capacity of the VSO in-country recruitment function in Cambodia, Ghana, Malawi, and Uganda. VSO's newly established Sourcing Team traveled to Budapest for one week to learn about contemporary sourcing first-hand from experts at Randstad Sourceright.

Volunteers often stay in touch with the organization they worked for overseas, and they sometimes even continue to support them from home. However, not every employee who would like to contribute to the partnership is in a position to pack their bags and go overseas for several months. An alternative way to support VSO is by fundraising, alone or in teams. One example of such a team effort is the VSO Himalaya Challenge 2016. Randstad employees (as part of a bigger group) raised a considerable amount of money – with the help of colleagues, clients and other sponsors – to support a project for improving education and school attendance for girls in Nepal.

Attitude of employees towards VSO

as % of total number of respondents



Source: Great People Survey

Other volunteer projects

In addition to these primary VSO projects, Randstad participated in many other volunteer projects in 2016, including socially involved and philanthropic initiatives. The total amount spent on corporate philanthropy (excluding VSO) in 2016 was € 1,359,080. We implemented a global policy for corporate citizenship and philanthropy, which was approved by the Executive Board in 2016. The purpose of this policy is to define common shared rules within Randstad for identifying corporate citizenship and philanthropy initiatives that, in line with our mission, core values, business principles, and internal policies, are aimed at meeting the needs of communities or societies in which Randstad operates.

Other volunteer projects on behalf of Randstad

	2016	2015
Volunteer hours	5,900	7,800 [1]
Volunteers	980	1,000

1 Adjusted.

For example, Randstad Germany has a project called 'Ehrensache', which allows Randstad employees to receive funding for voluntary work they undertake in their free time. The purpose is to support projects for the common good, to promote voluntary work, and to stimulate employees to broaden their personal outlook and build networks.

Randstad Argentina supports a program against child labor, called 'Jardines de Cosecha' (Harvest Kindergarten). The program runs during harvesting seasons, and provides rural workers with a safe place to leave their children during the work day. More information about these initiatives and other examples of local volunteer initiatives can be found on our corporate website.

sustainability basics

'Shaping the world of work' can only be achieved if attention is also paid to sustainability 'basics'. These range from safeguarding ethical behavior, applying decent environmental care, and taking supply chain responsibility to being a good corporate citizen and ensuring our organization is transparent. Our goal is to have management tools, business principles, policies, and a governance structure in place that are in line with, or exceed, the standards set for our industry, and that enable accountability for all elements of our sustainability framework.

Business principles

Randstad's business principles are based on – and support – our core values. They project a positive message, help us live up to our values, and ensure that the needs of the world in which we work, as well as our business and personal behavior, are well aligned and reinforce one another. Our business principles can be found in the 'corporate governance' section on our corporate website.

Our business principles – coupled with our key corporate policies referred to below – are an integral and mandatory part of our global induction program. Local induction training programs include an explanation of the business principles, some of our policies, and the misconduct reporting procedure. In 2014, training in business principles became part of our key control framework for ensuring global execution.

In 2016, around 7,000 new employees and 6,000 existing employees (2015: well over 8,000 new employees) received business principles training. To set a minimum standard, we developed a compliance induction training program format, including reference to the business principles and corporate policies, and shared this with all heads of Legal and the HR community. In addition, on these same topics, we developed a set of five cartoons, which support training and communication on business principles and corporate policies. These cartoons are available in 16 different languages.

Understanding of our business principles is measured through our annual Great People Survey. The results of this part of the survey can be found in the table 'Understanding of business principles'.

To further enhance awareness of the business principles, they are included in our HR Standards and communicated through various internal communication channels across the Group.

Understanding of business principles

as % of total number of respondents

	2016	2015
North America	86%	84%
Netherlands	92%	86%
France	78%	77%
Germany	96%	95%
Belgium & Luxembourg	88%	87%
Iberia	84%	83%
United Kingdom	79%	75%
Other European countries	77%	83%
Rest of the world	73%	74%
Corporate	96%	96%
Group	**83%**	**83%**

Source: Great People Survey

Corporate policies

The majority of our corporate policies are directly linked to our business principles. They provide our people around the world with specific guidance and instructions on their business behavior.

Over the years, we have developed other key corporate policies related to compliance with business principles: competition law, insider dealing, bribery, gifts & hospitality, data protection, discrimination, intimidation and harassment, contract liability, and e-communications. These policies are a mandatory part of our induction training, and are highlighted during refresher training, tailored to the local operating company and the position of the relevant employee, and included as controls in our key control framework.

Promoting best practices and raising awareness of relevant laws and policies is an ongoing process worldwide. In 2015, we developed a tailor-made compliance refresher training program, specifically for the Dutch Randstad organization: Randstad Rules! We have also made an English version of Randstad Rules!, which can easily be adopted to other languages and local rules. In 2016, it was already used by several other Randstad companies worldwide, and more operating companies will be rolling out Randstad Rules! in 2017. The training program is also an effective tool to make recently acquired companies familiar with the Randstad core values, business principles, and related policies.

Our position with regard to tax control, tax contribution, tax compliance, and tax planning is elaborated on in our tax policy. In line with our core value 'simultaneous promotion of all interests', and in order to safeguard our good reputation, Randstad demonstrates ethical tax behavior by paying the proper amounts of taxes in the countries where value is created. Randstad Holding was listed in VBDO's (Dutch Association of Investors for Sustainable Development) Tax Transparency Benchmark at position 4. We scored the maximum points for our knowledge and management of risks and for our monitoring and testing of tax controls.

We also have an environmental policy. Realizing that the world's natural resources are limited and fragile, Randstad believes environmental protection is consistent with its overall goals and core values, and should therefore be an important consideration in its activities. This commitment to environmental protection is reflected in our sustainability framework. It is validated through a materiality analysis, and is included in all our programs and practices that encourage the conduct of operations in a manner that is both environmentally and economically responsible.

In 2016, we developed a global Health & Safety Policy, as well as a global Corporate Citizenship & Philanthropy Policy.

Our corporate HR Standards are not only based on our core values and business principles, but also on our sustainability ambitions. These standards are designed to guide our HR community and to safeguard the recruitment, development, and retention of our employees – our most important asset. They are essential in helping us achieve our strategic goals, which is why our policies and sustainability framework are both included in our HR Standards, and form a mandatory part of our induction training.

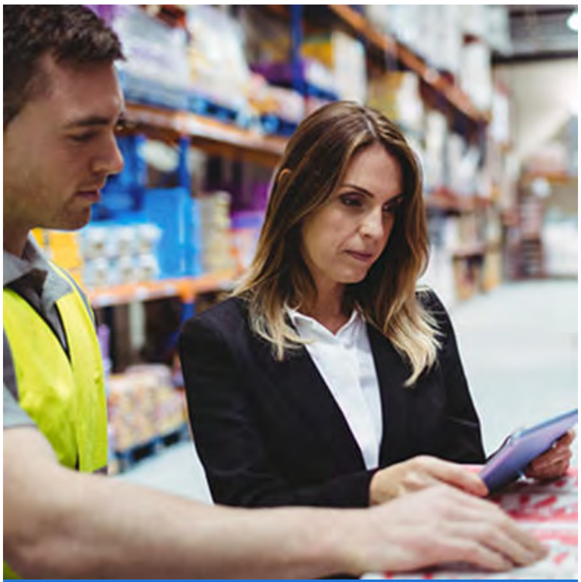
Randstad's corporate policies are published on our intranet sites, and summaries of the policies are published on our corporate website. Through our in-control framework (which includes the key control framework), our operating companies certify, semi-annually, their compliance with many of the policies, or explain any deviations.

Human rights

We are signatories to, and participants in, the United Nations Global Compact, and we support its Ten Principles regarding human rights, labor rights, the protection of the environment, and anti-corruption. We have posted more details about our progress on the website of the UN Global Compact (www.unglobalcompact.org).

The principles regarding labor are those outlined in the ILO Declaration on Fundamental Principles and Rights at Work. These are freedom of association and the right to collective bargaining, elimination of forced or compulsory labor, the abolition of child labor, and the elimination of discrimination in respect of employment and occupation. While always complying with national laws and practices, we are also committed to making the Global Compact's principles part of Randstad's strategy, culture, and day-to-day operations. We therefore regard the Ten Principles as forming part of our business principles. Our CEO explicitly expressed Randstad's support to the UN's Secretary-General. This statement is published on our corporate website.

Randstad Holding's CEO and CFO signed the United Nations' Call to Action to Governments to promote anti-corruption measures and to implement policies to establish systems of good governance. Signing this Call to Action underlines our commitment to work against corruption in all its forms, including extortion and bribery. We believe that corruption is



"Through 'My Randstad', I can approve hours worked on the spot"

one of the greatest obstacles to economic and social development around the world.

In 2016, we conducted a self-assessment to check if our business activities are in line with the OECD Guidelines. The outcome of this self-assessment was positive. As a result, Randstad has adopted the OECD Guidelines as a benchmark for its international activities.

Over the past years, Randstad has participated in the business and human rights initiative of the Global Compact Network Netherlands. As part of this, we have embedded the Ten Principles into our corporate policies and developed a tool for human rights risk mapping. To that end, we published our Human Rights Impact Assessment. We also reviewed our global key control framework and expanded it to cover a number of relevant risks and controls related to business and human rights, notably bribery, workers' rights, health and safety, and discrimination. Other ways in which we monitor potential human rights risks include continuous training of our employees and management locally, and promoting organizational sensitivity to human rights issues in general. Our commitment and initiatives in the fields of Labor Practice Indicators and Human Rights were recognized by RobecoSAM and were assessed as best in class in the Dow Jones Sustainability Index.

Randstad Argentina's CEO signed the United Nations Women Empowerment Principles (WEPs) and supported the 'Unite' Campaign to end violence against women, led by Ban Ki Moon. In addition, together with Trama Asociation, he helped set up a communication campaign against violence among youth. More information about our local initiatives in the field of human rights can be found on our corporate website.

Benchmarks

In 2016, we were again included in the 2016 Dow Jones Sustainability Index (DJSI) review. Launched in 1999, the DJSI World is the first global index to track the leading sustainability-driven companies worldwide, based on RobecoSAM's analysis of financially material Environmental, Social, and Governance (ESG) factors. Randstad is the only HR services provider to be admitted to membership of the Professional Services industry section of the DJSI World and DJSI Europe indices. The dimensions Customer Relationship Management and Labor Practice Indicators and Human Rights were assessed as best in class.

We are also an active participant in other international benchmarks and platforms, such as the FTSE4 Good, Dutch Transparency Benchmark, Euronext Vigeo, Ethibel Sustainability Index, VBDO's tax transparency benchmark, Carbon Disclosure Project, Ecovadis, and Sedex.

Integrity and grievance mechanism

The Randstad misconduct reporting procedure encourages the reporting of serious misconduct, preferably directly to local management and through established operational channels. If, for any reason, these reporting lines are considered inappropriate or are likely to be ineffective, or if a complainant fears retaliation, use can be made of our special reporting facility. This reporting facility consists of a telephone hotline (accessible 24 hours a day via free local access numbers) and a secure web page. The reporting facility is open to all Randstad's stakeholders, corporate employees, temporary workers, candidates, and third parties. Although reports can also be submitted anonymously, Randstad encourages complainants to reveal their identity when they submit a report, as this greatly facilitates the investigation of the issue. Reports can always be drawn up in the local language. The facility is operated by an independent external provider and allows communication between the parties, even if the misconduct has been reported anonymously. This way of communicating with an anonymous complainant has proven to be successful in several instances. Consistent with Randstad's decentralized organization, reports are received by local integrity officers, who are responsible for handling complaints, supported, where appropriate, by other functions, either locally or within Randstad Holding. Actions resulting from this procedure vary from apologizing to the complainant and correcting mistakes to moving a temporary worker to a new assignment or even terminating an employment contract, be it of a corporate employee or a temporary worker.

Taking into consideration the implications of the UN's 'Protect, Respect and Remedy' framework, we continue to work on raising and maintaining awareness of our grievance mechanism, including among our employees and candidates. In 2016, we focused specifically on raising awareness in the companies that showed a lower awareness score in the Great People Survey, while keeping the awareness in the other countries at least at the same level. This resulted in an overall increased score of 73% (+3%). In some countries, the increase was particularly notable, for example in the Netherlands, where we saw an increase of 14%. We also saw a substantial increase in the total number of complaints and concerns raised in 2016 (+50%) compared to 2015. However, these again included a substantial number of complaints that bypassed the normal appropriate local reporting channels, such as the branch manager or local complaint or help desks. Through local communication efforts, we aim to maintain and increase awareness of the correct routing.

Of a total of 174 reports made in 2016, 56 were accepted as admissible. After thorough investigation of these 56 complaints, 37 were found to be not proven, 14 were (partially) proven, and 5 were still under investigation at the end of the year. The proven complaints (14) related to intimidation and harassment (7), improper management practices (1), non-compliance with internal policies and procedures (2), discrimination (1), racism (1), and breach of confidentiality/privacy (2).

The vast majority of the reports - 117 - were made by candidates and temporary workers or former temporary workers; most of these were referred to local management or the local complaint or help desks. A total of 11 reports were made by clients and other external parties, and in 14 cases – due to insufficient information being provided by anonymous reporters – it was not clear who made the report. The

Misconduct reporting

	2016	2015
New complaints	174	113
Of which anonymous	47	35
Concerns referred to other channels/not legitimate	118	79
Proven or partially proven	14	10
Not proven	37	24[1]
Under investigation	5	-
Total	**174**	**113**

1 The complaints reported as 'Under investigation' in 2015 appeared to be 'Not proven'.

remaining 32 reports came from corporate employees or former corporate employees.

All valid reports were followed up internally, usually by local teams with the support of the local integrity officer and/or the risk manager. If the report related to local management, it was followed up by the central integrity officer and the Group Business Risk & Audit staff. All proven reports were followed up by corrective action, which varied depending on the facts. Corrective action included additional training, coaching and/or monitoring for the staff involved; this was especially relevant in cases of non-compliance with internal policies and procedures and improper management practices. One report related to activities at a client towards a temporary worker; this was followed up with the client and resulted in offering the temporary worker another assignment and the client handled the case internally. In the cases of intimidation and harassment and racism, the corrective action varied from a written warning and further coaching (4) to demotion (1) and dismissal (2) of the accused.

Understanding of our misconduct reporting procedure is measured through our annual Great People Survey. The results of this part of the survey can be found in the table 'Awareness of misconduct reporting procedure'.

Awareness of misconduct reporting procedure

as % of total number of respondents

	2016	2015
North America	76%	72%
Netherlands	70%	56%
France	85%	85%
Germany	87%	83%
Belgium & Luxembourg	58%	63%
Iberia	70%	66%
United Kingdom	69%	67%
Other European countries	65%	73%
Rest of the world	70%	67%
Corporate	85%	87%
Group	**73%**	**70%**

Source: Great People Survey

Supply chain responsibility

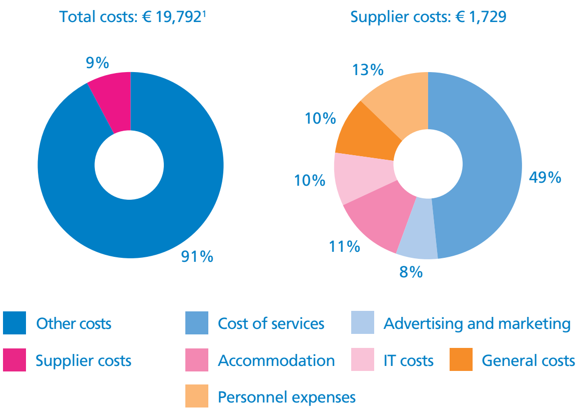
Our suppliers make an important contribution to the quality of our services. We therefore ask them to embrace our standards and to comply with our Supplier Code. This code is an integral part of our international terms and conditions. It aims to ensure that the procurement of goods, works, and services takes place in a socially responsible manner and in conformity with our business principles. In this code, we explicitly request that our suppliers respect our regulatory, social, and ecological principles, and adopt practices consistent with those principles. Suppliers must ensure that their own suppliers and subcontractors also respect the principles set out in the code. We consult with suppliers periodically in order to verify compliance with the code. If deemed necessary, Randstad may have an audit conducted at the supplier's premises. The Supplier Code is published on our corporate website. At the end of 2016, around 40% of our procurement expenditure worldwide was covered by the Supplier Code.

A good example of supply chain management is the procedure followed by Randstad Argentina. This works as follows: the first mandatory step for suppliers in formalizing the relationship is to register on Randstad's website and explicitly subscribe to the Supplier Code. Once they are in the system, they are automatically notified when changes are made to the Supplier Code or to other conditions. Randstad Italy launched a new web portal for the qualifications of its suppliers. This consists of a very detailed questionnaire with general information about the supplier company, its organizational structure, its approach to quality and social responsibility, and relevant certifications.

On a global scale, around 8.7% of our cost base consists of supplier spending. The graph 'Composition of the supply chain' shows the proportions of the various supplier categories across the globe.

Composition of the supply chain

as % of total (supplier) costs (x 1,000)



1 Actual reported operating expenses and cost of services excluding amortization, impairment and acquisition-related intangible assets.

Our impact on the environment

The fact that our business is a people business is also reflected in our cost base. The vast majority of our costs consist of the salaries we pay to our own corporate staff and our candidates working for our clients. Because of the nature of our business, our impact on the environment is much less than that of some other sectors, such as manufacturing. Almost all of our business is conducted in local markets, and we have many locations close to both clients and candidates, greatly reducing travel and the resulting CO_2 emissions. Despite this inherently minimal impact, we do what we can to limit our ecological footprint by conserving energy, using sustainable energy sources, and reducing water and paper usage, while re-using or recycling wherever possible. We set the target to use at least 50% electricity from sustainable sources in 2018, and to reduce our CO_2 emissions by 8% in 2018.

In mid-2015, we established a global environmental policy. This commitment to environmental protection is reflected in our sustainability framework, validated through a materiality analysis, as well as in our programs and practices for conducting operations in an environmentally, as well as economically, responsible manner. The policy can be found on our corporate website.

In 2016, we participated in the Global Climate report of the Carbon Disclosure Project (CDP) and we scored a B (management level), which is above industry average. Companies are taking further steps at management level to effectively reduce emissions, indicating more advanced environmental stewardship.

CO_2 footprint

As a part of our framework, we continue to improve the completeness and accuracy of our Group environmental data, using a step-by-step approach. In 2012, we concentrated on measuring our impact due to travel, in particular journeys made using company cars. In 2013, we added to this the distances traveled by air. In 2015, we performed an internal review on the environmental data reported in 2013 and 2014. The main operating companies (constituting 90% of the total) were asked to check their data and make adjustments where necessary. This gave us better insight into the challenges related to collecting and reporting environmental data, which led to improvements and more extensive coverage. In 2016, a consulting company completed an audit in order to gain even more insight into the possible improvements regarding data collection and reporting, and the feasibility of external assurance.

We adjusted our CO_2 footprint according to the Greenhouse Gas Protocol. We therefore no longer report the emissions of water, paper and waste (formerly scope 3). The airplane CO_2 emissions shifted from scope 2 to scope 3. We still face challenges with regard to collecting actual figures on water and general waste. We use mostly estimates to calculate the numbers, because only a few operating companies are able to receive this information from their suppliers. Most of our branches are located in collective tenant buildings, where there is collective water usage and the collection of waste is centralized, which means we cannot collect our own data. For 89% of our operating companies, the estimated water usage in 2016 was 245,000 m^3 (2015: 260,000 m^3) and our waste 1,400 metric tons (2015: 1,200 metric tons).

Our CO_2 footprint [1]

	2016		2015	
	Usage	CO_2 emission	Usage	CO_2 emission [2]
Scope 1 (direct emissions)				
Gas for heating (m^3)	3,311,360	6,239	3,405,584	6,416
Fuel for heating (L)	41,000	131	54,000	172
District heating (GJ)	13,369	267	12,940	259
Business cars petrol (L)	4,926,000	13,793	4,470,000	12,516
Business cars diesel (L)	10,887,000	34,838	10,868,000	34,832
Business cars gas (L) [3]	-	-	42,000	80
CO_2 metric tons scope 1		**55,268**		**54,275**
Scope 2 (indirect emissions)				
Electricity (GJ)	188,786	19,488	183,953	22,132
Sustainable electricity (GJ)	73,497	-	66,034	-
CO_2 metric tons scope 2		**19,488**		**22,132**
Scope 3 (remaining emissions)				
Airplane (km)	43,111,049	8,622	53,055,054	10,611
CO_2 metric tons scope 3		**8,622**		**10,611**
Total CO_2 metric tons		**83,378**		**87,018**

1 Based on 89% of our operating companies.
2 The 2015 emissions have been adjusted according to the new agreements of the Greenhouse Gas Protocol.
3 As of 2016, all our operating companies stopped using business cars on gas.

Energy resources

To limit the use of fossil fuels, we constantly seek to increase the use of alternative, efficient, and natural energy resources (e.g., by replacing traditional lighting by LED lighting in our buildings). We are in the process of migrating our computing capacity to the cloud on a global level. As we are sharing capacity and optimizing our usage of servers by only making them available when we need them, we expect our energy consumption to decrease further. The Randstad corporate head office is the only major building we actually own; almost all other buildings worldwide are rented. Our head office uses 100% certified green electricity and the Randstad Belgium head office is certified for BREEAM (Building Research Establishment Environmental Assessment Method).

Increasing our people's awareness of simple ways to reduce the use of energy in our offices is the least we can do. At the same time, its impact is difficult to measure, given the fact that our offices are often leased all-in, and we share buildings with other tenants. We continue to try convincing our landlords to provide us with specifications of energy use, separate from lease costs, or to install smart meters. Our European operating companies have taken the necessary steps to comply with the European Commission's Energy Efficiency Directive and will increasingly have better insight into their energy consumption and possible improvements.

Travel and company cars

We are limiting our business travel impact on the environment by increasing the use of video and phone conferencing and VoIP. This has led to a decrease in the number of business flights in 2016. Increasingly, we are digitalizing time sheets and staffing contracts, including signatures, which reduces paper use and traveling by both candidates and our own consultants. Several operating companies have switched to hybrid or fuel-efficient cars, or cars with capped CO_2 emissions. In addition, various operating companies run bike schemes, commuting projects, gas-saving contests, and other initiatives to reduce conventional energy usage. If traveling cannot be avoided, we prefer train travel over plane or car travel, which in several countries is supported by strict policies. In the Netherlands, we participate in a CO_2 compensation program for business flight emissions with our national airline.

More information about our local initiatives on the environment can be found on our corporate website.

Company cars

	Average number of cars		Kilometers driven (x 1,000)	
	2016	2015	2016	2015
North America	-	-	-	-
Netherlands	3,382	3,237	98,376	107,932
France	1,747	1,646	34,284	33,925
Germany	1,732	1,634	50,820	50,248
Belgium & Luxembourg	1,657	1,612	41,812	37,300
Iberia	748	595	17,634	19,503
United Kingdom	227	227	3,727	3,314
Other European countries	718	543	15,467	11,539
Rest of the world	572	572	10,628	9,766
Corporate	125	125	3,302	3,257
Group	**10,908**	**10,191**	**276,050**	**276,784**

Business flights

Total distance traveled (x 1,000 km)

	2016	2015
North America	22,681	32,248
Netherlands	364	314
France	3,482	3,188
Germany	2,370	2,570
Belgium & Luxembourg	134	31
Iberia	5,110	3,683
United Kingdom	1,693	1,081
Other European countries	1,934	1,911
Rest of the world	15,190	19,864
Corporate	9,945	8,560
Group	**62,903**	**73,450**

Our tax contribution

Throughout the world, Randstad companies pay various taxes levied by tax authorities. The main categories of taxes are corporate income tax, value-added tax, wage tax and social insurance. The breakdown is as follows:

Corporate income taxes paid

in millions of €

	2016	2015
North America	6.1	8.4
Netherlands	24.8	25.9
France	38.7	35.1
Germany	(3.9)	5.2
Belgium & Luxembourg	3.2	15.9
Iberia	6.2	6.6
United Kingdom	1.6	0.9
Other European countries	31.8	9.9
Rest of the world	23.6	19.5
Corporate	27.7	(22.0)
Total	**159.8**	**105.4**

Corporate income taxes paid in North America are relatively low as a result of accumulated net operating losses that are offset against taxable income.

Randstad Holding and its Dutch subsidiaries form a fiscal unity for corporate income tax. The fiscal unity received a tax refund in 2015.

In Other European countries, additional taxes were paid in Sweden and Italy due to the consolidation of newly acquired companies in 2016 and higher profitability of existing companies in Italy, Sweden, and Poland.

All other taxes paid

in millions of €

	VAT [1]	Wage tax and social insurance	Total
North America	48	1,125	1,173
France	574	1,201	1,775
Netherlands	588	837	1,425
Germany	328	669	997
Belgium & Luxembourg	183	338	521
United Kingdom	88	95	183
Iberia	254	376	630
Other European countries	241	716	957
Rest of the world	148	321	469
Corporate	(3)	20	17
Total	**2,449**	**5,698**	**8,147**

1 Value-added tax/sales tax.

performance

introduction

How we measure performance

Randstad has an extensive performance management system in place. Performance management at Randstad starts at the lowest level in our organization in the context of what we call 'activity-based field steering' (ABFS). Our ABFS model requires our units and teams to translate commercial goals (active clients, people at work) into actual activities on a daily basis. As our planning and control cycle is operationally driven, the data acquired through ABFS drives action right up to the Executive Board level. As a result, Executive Board members are closely involved with the operating companies under their responsibility.

Performance management

The performance of each operating company is measured at various stages during the year:

- Weekly overview of activities (ABFS tracker), temporary employees working (volumes), and permanent placements;
- Monthly income statement, balance sheet, cash flow, selected non-financial data, and a forecast with analysis;
- Quarterly income statement, balance sheet, cash flow, non-financial data, and a forecast with extensive analysis and benchmarking.

Each month, the Executive Board discusses performance with the management team of each operating company. The agenda includes financial and operational performance, forecasts, risk management, and the progress made in achieving strategic goals. Internal and external benchmarks are used to challenge performance and to identify points for improvement. In addition to the monthly control cycle, a yearly strategic planning cycle takes place in the spring, and an operational planning cycle takes place in the fall. The planning and control cycle is embedded in our Risk & Control framework.

Key performance indicators

Our day-to-day performance overview includes key performance indicators (KPIs) showing our growth, productivity, profitability, working capital, and cash flow. We use a variety of tools within our planning and control cycle to assess our performance and align future strategic and investment decisions to best utilize commercial and organizational opportunities. KPIs are used to measure and monitor performance against budgets, forecasts, the previous year, and our strategic targets. These indicators are described below.

Weekly indicators

Weekly volumes of employees working are an important indicator within our field steering model and measure the success of the units and teams. In addition, we track weekly information on permanent placements.

Market share

Gaining profitable market share is an important strategic target. Where possible, we aim to measure market shares at the lowest possible level (units and teams).

Profitability

Profitability indicates the quality of our top line and operational efficiency. Our overall financial goal is to achieve an EBITA margin of 5% to 6% over time. More information on our performance in 2016 can be found in the 'Financial performance' section, and information about our targets can be found in the 'Strategic priorities and targets' section.

Gross margin

We focus on temp margin (gross profit generated through temporary staffing) and the contribution of permanent placements and other fee-based business. Gross margin is, however, not a strategic target as such. In order to realize our EBITA-margin target, we focus on the extent to which gross profit is converted into EBITA.

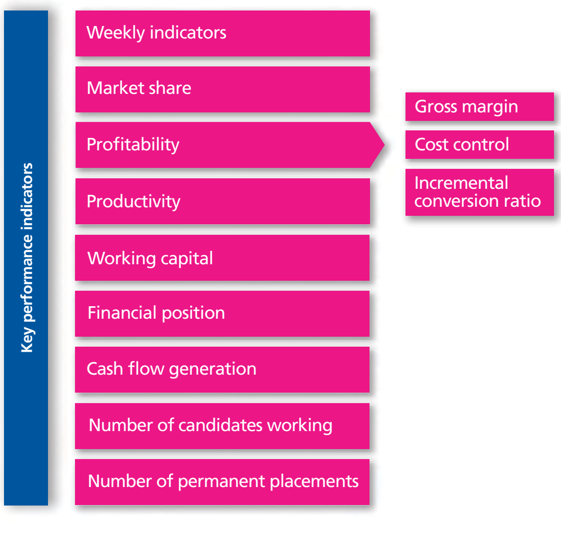
Cost control

Personnel costs are the largest contributor to operating expenses. By using our ABFS model, we know when and where we need to add or reduce staff. Relatively high staff turnover facilitates a good degree of flexibility of these costs. Other costs are also highly flexible and tightly controlled.

Incremental conversion ratio

We measure the percentage of gross profit growth converted into EBITA. In the early stages of recovery, we generally require the incremental conversion ratio (ICR) of a company to be over 70%. Once recovery has developed further, an ICR of 50% is required. In a period of contraction, we aim for a recovery ratio of 50%. This means that 50% of lost gross profit is recovered through reduced operating expenses. In the

Key performance indicators



'Financial performance' section, we have included an overview of conversion ratios in recent years.

Productivity

Productivity improvements (see 'Financial performance' for more details) are important in helping us to achieve our profitability targets. We measure productivity in three ways:

- Gross profit per staff member (GP/FTE);
- Gross profit in relation to personnel expenses (GP/PE);
- The number of candidates per staff member (Temps/FTE).

Working capital

There is a strong focus within Randstad on Days Sales Outstanding (DSO), the amount of overdues, and working capital. This focus is also reflected in the bonus targets set for our senior management. As a further incentive, through a simplified EVA method, operating companies are charged for their use of operating working capital. Within working capital, the 'trade receivables' component is the most important for us to influence. Our liabilities comprise mainly wage tax and social security payments to tax authorities. Clearly, those payment terms are more difficult to influence. In the 'Financial performance' section, we have included a more detailed analysis of our historical performance.

Financial position

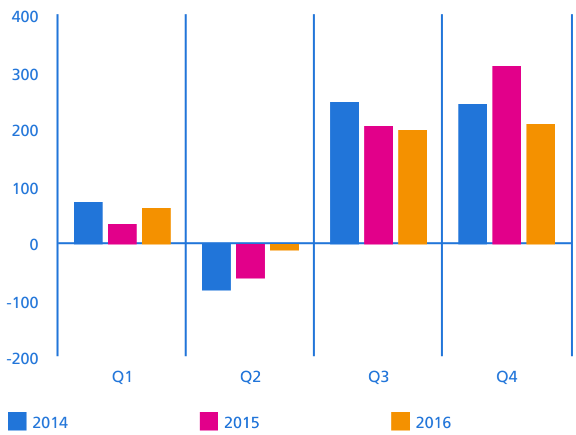
To maintain a solid financial position, we monitor our leverage ratio (net debt divided by 12-month EBITDA). This is used as guidance for dividend payment on ordinary shares and as a basis for our acquisition policy. Strategically, our target range is between 0 and 2, while our bank covenants allow for 3.5. In certain cases, we are now allowed to report to a maximum leverage ratio of 4.25x EBITDA for a limited amount of time. This provides us with a cushion in managing through the cycle. More information on our financial position and capital structure can be found in the section 'Investor relations and share performance'.

Cash flow generation

Better profitability and more efficient use of working capital result in sound cash generation, which we measure on the basis of the amount of free cash flow generated. Free cash flow includes operating profit and movements in working capital plus capital expenditure. In a normal year, our free cash flow moves in line with the seasonal pattern in our business. While the free cash flow in the first quarter is normally low, it is negative in the second quarter, as working capital requirements increase in line with higher revenue and the payment of holiday allowances in Belgium and the Netherlands. Free cash flow in the second half of the year is normally higher, based on higher revenue and profit. Traditionally, we experience unwinding of working capital in December, impacted by the holidays. The development in free cash flow per quarter is shown in the graph 'free cash flow development'. In a downturn, we typically see significant unwinding of working capital. More information on cash flow analysis can be found in our quarterly press releases, and in the section 'Performance'.

Free cash flow development

in millions of €



Number of candidates working

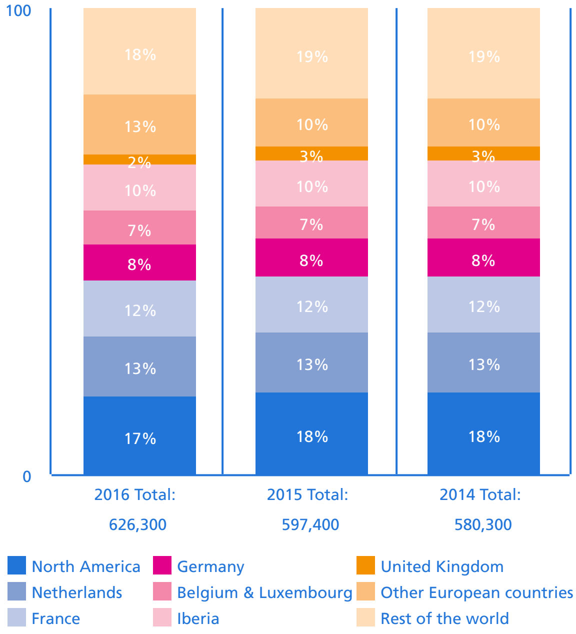
In order to determine our success across the various markets in which we operate, we also regularly monitor the number of candidates we place with our clients, as well as our market share across countries. See the graph 'Candidates working split by geography' for more details on the development per region. Performance relating to market share can be found in the section 'Country performance'.

Number of permanent placements

Matching candidates with clients for temporary assignments has always been the biggest part of our business. However, over the past few years, permanent placements have become a growing proportion of our daily work. The table 'Number of permanent placements' reflects the 2016 numbers compared to 2015, broken down by geography.

Candidates working split by geography

as a % of total number of candidates working per day



Number of permanent placements

	2016 [1]	2015
North America	44,700	51,400
Netherlands	7,900	7,500
France	42,400	32,900
Germany	4,300	3,900
Belgium & Luxembourg	3,200	2,900
Iberia	24,600	19,100
United Kingdom	10,900	11,100
Other European countries	16,500	10,200
Rest of the world	29,400	19,500
Group	**183,900**	**158,500**

1 2015 numbers have been restated. Both years include RPO placements.

financial performance

Income statement

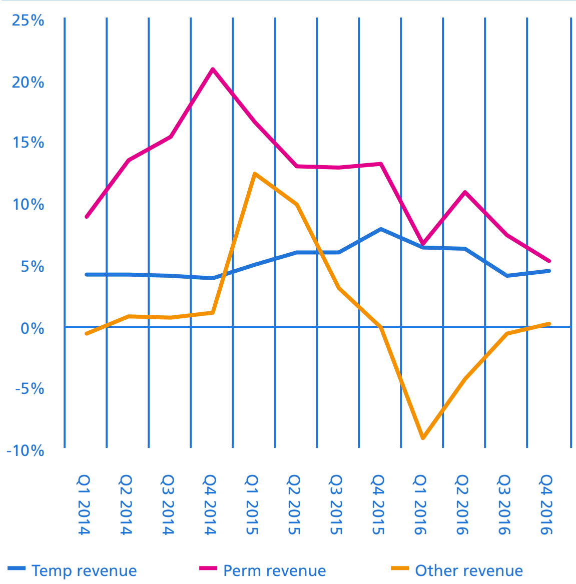
For a meaningful analysis of our results, we need to look at the underlying results, which excludes the impact of foreign exchange movements, mergers and acquisitions, and one-off items such as restructuring costs and integration costs.

Income statement, underlying

in millions of €, unless otherwise indicated

	2016	2015	organic Δ
Revenue	**20,684.1**	**19,219.2**	**5%**
Cost of services	16,749.9	15,624.7	
Gross profit	**3,934.2**	**3,594.5**	**4%**
Personnel expenses	2,251.5	2,077.0	
Other expenses	736.0	655.6	
Operating expenses	**2,987.5**	**2,732.6**	**3%**
EBITA, underlying	**946.7**	**861.9**	**7%**
Gross margin	19.0%	18.7%	
Operating expenses margin	14.4%	14.2%	
EBITA margin	4.6%	4.5%	

Year-on-year organic growth



Revenue

At Group level, organic revenue increased 4.7% in 2016 (2015: 6.2%). Currency effects had a negative impact of –0.8% and M&A contributed +3.6%. Overall reported revenue for the year increased 8% to € 20,684.1 million. Our European operations grew 6% in 2016 (2015: up 6%), North America grew 1% (2015: up 5%), Asia grew 5% (2015: up 8%), and Latin America grew 15% (2015: up 15%). Particularly Europe experienced a strong finish of the year, fueled by a broad-based acceleration of growth in countries such as France, Germany, Iberia and Italy. More detailed information is included in the section 'Country performance'. More information about the three main revenue categories (Staffing, Inhouse Services, and Professionals) can be found in the section 'Performance by revenue category'.

Permanent placements were up 7% (2015: up 14%). Permanent placements made up 2.0% of revenue (2015: 2.0%). Revenue from temporary billing increased by 5% organically (2015: up 6%)

On average, we employed 626,300 candidates per day, and we made around 183,900 permanent placements in 2016. Annually, we employ more than two million people.

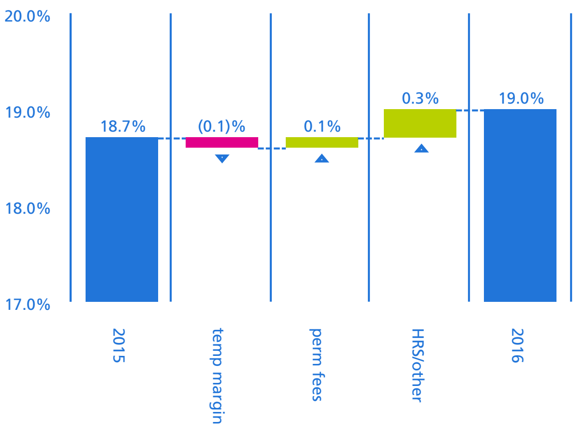
Organic revenue growth per working day

in %

	Q1	Q2	Q3	Q4	Full year
Geographic areas					
North America	3	0	1	1	1
Netherlands	6	3	2	2	3
France	9	4	5	10	7
Germany	5	5	5	10	6
Belgium & Luxembourg	(2)	(2)	5	5	2
Iberia	8	5	6	10	7
United Kingdom	1	0	1	2	1
Other European countries	10	9	10	20	13
Rest of the world	5	4	8	10	7
Revenue categories					
Staffing	3	2	3	5	3
Inhouse Services	10	6	10	13	10
Professionals	4	4	2	3	3
Group	**5**	**3**	**4**	**7**	**5**

Gross profit
Gross profit reflects our effectiveness in pricing, cost of employee benefits, and idle-time management. In 2016, gross profit amounted to € 3,934 million, an organic increase of 4% compared to the previous year (2015: up 7%). Gross margin increased 30bp to 19.0%, driven by the Monster acquisition. Excluding Monster, gross margin remained stable YoY at 18.7%. The graph 'Change in gross margin' shows the change in gross margin in 2016. Note 5 to the financial statements includes an overview of the actual reported gross profit per geography.

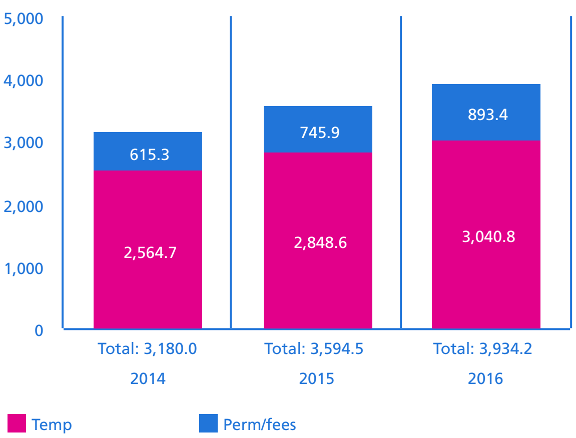
Change in gross margin



Our temp margin decreased 10bp compared to last year as mix effects offset a more competitive market. Permanent placements and HR Solutions fees combined had a positive impact of 40bp driven by the Monster acquisition. At Group level, the contribution from permanent placements ('perm fees') made up 10.4% (2015: 10.6%) of gross profit.

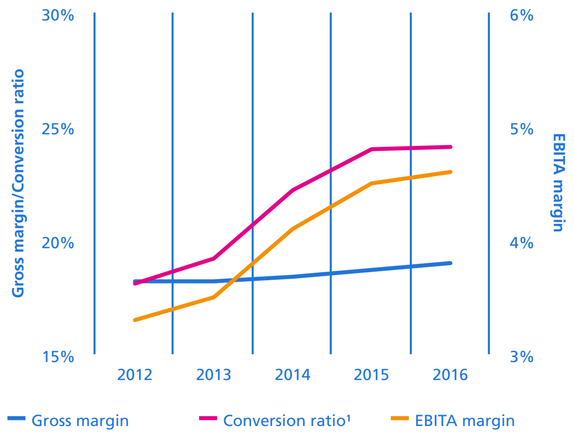
Gross profit

in millions of €



The trend in gross margin is monitored closely. An improvement indicates that we are succeeding in enriching our business mix towards higher-value-added segments in the HR services space. In order to realize our EBITA margin targets, we aim to maximize conversion of gross profit into EBITA. In 2016, we converted 24% of gross profit into EBITA.

Gross margin, conversion ratio and EBITA margin



1 EBITA as percentage of gross profit.

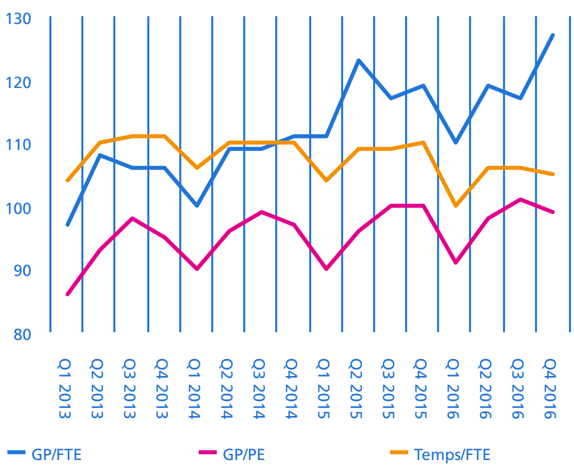
Productivity
As explained in the sections 'Value proposition & strategy' and 'How we measure performance', productivity improvements are key to achieving our profitability targets. We measure productivity in three ways:

- Gross profit per staff member (GP/FTE);
- Gross profit in relation to personnel expenses (GP/PE);
- Number of candidates per staff member (Temps/FTE).

Productivity (GP/FTE) was organically flat in 2016 (2015: up 4%). We aim to focus on achieving greater efficiencies across the organization, mainly through better execution based on field steering and the implementation of the right delivery models for our clients. The lack of material growth over the past years and pricing pressure in certain markets made it difficult to significantly improve our productivity.

Productivity, indexed

100 = 2007



Operating expenses

A breakdown of operating expenses is shown in the table 'Operating expenses'. These expenses reflect the costs related to our sales and delivery organization, as well as our head offices.

Operating expenses

in millions of €, unless otherwise indicated

	2016	2015
Personnel expenses	2,251.5	2,077.0
Advertising and marketing	129.5	109.4
Accommodation costs	196.2	184.2
Other operating expenses	337.5	298.2
Depreciation, amortization and impairment of PPE and software	72.8	63.8
Operating expenses, underlying	**2,987.5**	**2,732.6**
Average number of corporate employees	32,280	29,750
Number of branches, year-end	2,974	2,750
Number of Inhouse locations, year-end	1,778	1,723

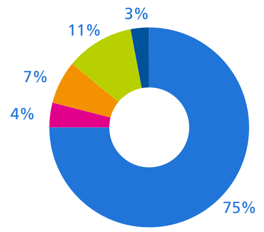
In 2016, underlying operating expenses amounted to € 2,987.5 million, up 3% organically. Foreign exchange effects decreased our cost base by € 22 million. Actual operating expenses in 2016 included € 41.1 million one-offs (2015: € 29.9 million), which are mainly M&A expenses and restructuring costs, for which we aim to achieve a payback period of twelve months.

The graph 'Change in operating expenses' shows the most important changes in our underlying cost base in 2016.

Personnel expenses increased by 3% organically. We invested in areas where growth continued, such as in the US (Staffing), Spain and Italy. Personnel expenses per FTE were slightly higher compared to 2015, due to growth in our more developed markets. An overview of corporate staff by region is given in the section 'Country performance'. Further details on actual personnel expenses can be found in note 9 to the financial statements.

Operating expenses

Operating expenses: € 2,987.5 million

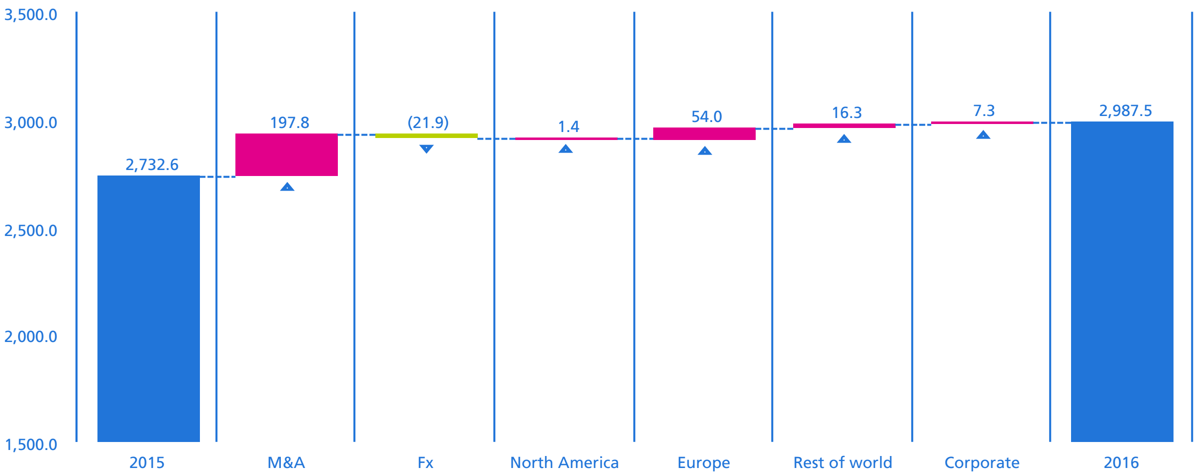


Marketing costs were 0.6% of revenue (in line with 2015). Further information about our marketing strategy is included in the section 'Value for our clients and candidates'.

Accommodation costs fell by 1% organically. Across the board, we continued to consolidate branches, without leaving markets. As we continued to see strong demand for Inhouse Services, we opened 55 new Inhouse locations in 2016 (2015: 128), most notably in Japan, Spain and spread over the 'Other European countries' region. At the end of 2016, we were operating a network of 2,974 branches, including locations driven by M&A (up 8%), and 1,778 Inhouse locations (up 3%).

Change in operating expenses

in millions of €



Other operating expenses – mainly IT and general costs – increased organically by 6%. IT costs generally contract and expand with our capacity. General costs, which mainly consist of postage, office supplies, and consultancy costs, decreased in line with our focus on cost control.

Depreciation and amortization charges were higher than in 2015 due to the impact of M&A. On average, we depreciate assets over three to five years.

Branches and Inhouse locations, year-end

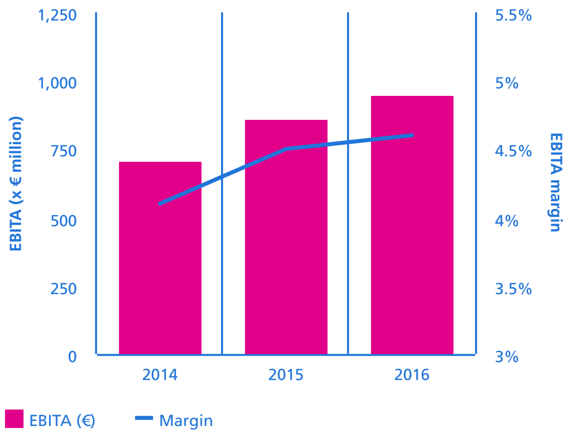
	2016		2015	
	Branches	Inhouse locations	Branches	Inhouse locations
North America	730	419	696	423
Netherlands	303	337	311	333
France	471	211	521	207
Germany	280	277	274	276
Belgium & Luxembourg	155	155	150	153
Iberia	230	109	207	99
United Kingdom	87	42	75	64
Other European countries	498	145	288	118
Rest of the world	220	83	228	50
	2,974	**1,778**	**2,750**	**1,723**

EBITA

Underlying EBITA increased to € 946.7 million, with EBITA margin improving to 4.6%, compared to 4.5% in 2015. Currency effects had a negative impact on EBITA of € 2 million.

EBITA development, underlying

in millions of €



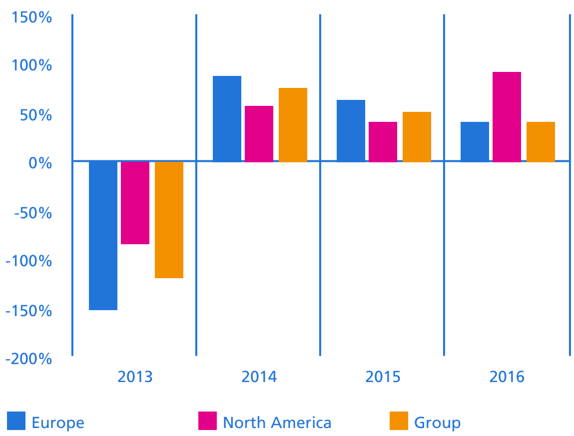
EBITA

in millions of €

	2016	2015	Δ
EBITA, underlying	**946.7**	**861.9**	**10%**
Integration costs	13.6	0.0	
One-offs	41.1	29.9	
EBITA, actual	**892.0**	**832.0**	**7%**
Amortization and impairment of intangible assets and goodwill impairment	101.4	127.3	
Operating profit	**790.6**	**704.7**	**12%**
Net finance costs	(3.8)	(29.1)	
Share in profit of associates	(0.8)	0.7	
Result on disposal of associates (one-off)	0.0	6.1	
Income before taxes	**786.0**	**682.4**	
Taxes on income	(197.8)	(163.6)	
Net income	**588.2**	**518.8**	**13%**

As explained in the section 'How we measure performance', we measure the conversion of gross profit into EBITA. If we grow, our target is to convert around 50% of incremental gross profit into EBITA (incremental conversion ratio). If our gross profit declines, our target is to achieve cost savings of at least 50% of lost gross profit (recovery ratio). For the Group as a whole, the incremental conversion ratio was 41%, primarily as Q4 2016 faced a tough comparison given an above-average level of positive incidentals in Q4 2015.

Incremental conversion ratio



Target:
- Incremental conversion ratio: 50%
- Recovery ratio: 50%

Amortization of intangible assets, and impairment of goodwill

Intangible assets are capitalized in the balance sheet upon acquisition of companies and reflect the value that is allocated to assets, such as brand names, customer relationships, and candidate databases. These intangible assets are amortized over a period of one to ten years. During the year, the amortization charge lowered, as some prior acquisition-related intangibles have now been fully amortized. For more information, see note 4.1 and note 15 to the financial statements.

Operating profit

Operating profit is EBITA including the non-cash amortization and impairment charges on acquisition-related intangible assets and goodwill. As a result of the change in the aforementioned charges, operating profit increased by 12% compared to 2015 to € 790.6 million.

Net finance costs

For the full year, net finance costs amounted to € 3.8 million, compared to € 29.1 million in 2015. Net finance costs include net interest expenses on our net debt position, as well as foreign currency effects and adjustments in the valuation of certain assets and liabilities. Interest expenses on our net debt position amounted to € 14.6 million (2015: € 13.3 million). Interest expenses increased, as a result of our acquisition-related cash outflow. We have a policy of using floating interest rates as a natural hedge against the development in operational results, which continued to pay off significantly. Foreign currency effects had a positive effect of € 3.8 million (2015: € 17.5 million negative). Further details on net finance costs are included in note 10 to the financial statements.

Taxes on income

The effective tax rate before amortization and impairment of acquisition-related intangible assets and goodwill, integration costs, and one-offs amounted to 26.0% in 2016 (2015: 25.5%). The change in effective tax rate was driven by a different country mix in taxable profits/losses. More information on the actual effective tax rate is given in note 4.3 to the financial statements.

Net income, earnings per share and dividend

Adjusted net income for holders of ordinary shares amounted to € 688.9 million (2015: € 608.3 million).

Underlying diluted EPS increased by 13% to € 3.75 (2015: € 3.32). The number of outstanding ordinary shares remained virtually stable.

In line with our dividend policy, we will propose the payment of an all-cash dividend of € 1.89 per ordinary share (2015: € 1.68). This means a payout ratio of 50% (in line with 2015). Our dividend proposal is further elaborated on in the 'Investor relations' section.

Net income, earnings per share and dividend

in millions of €, unless otherwise indicated

	2016	2015
Net income	**588.2**	**518.8**
Net income for non-controlling interests	0.2	0.0
Net income for holders of preference shares	12.6	12.6
Net income for holders of ordinary shares	**575.4**	**506.2**
Amortization of intangible assets [1]	101.4	127.3
Integration costs	13.6	-
One-offs [2]	41.1	23.8
Tax effect on amortization, integration costs and one-offs	(42.6)	(49.0)
Net income for holders of ordinary shares, adjusted	**688.9**	**608.3**
Basic EPS (€)	3.15	2.79
Underlying basic EPS (€)	3.77	3.35
Underlying diluted EPS (€)	3.75	3.32
Proposed dividend (€)	1.89	1.68
Payout ratio (% of underlying basic EPS)	50	50

1 Amortization of acquisition-related intangible assets and impairment of goodwill.
2 2015: Including € 6.1 million gain on disposal of associates.

Invested capital

Our invested capital amounted to € 4.9 billion (2015: € 4.0 billion). The primary components of our invested capital, as shown in the overview below, are goodwill and acquisition-related intangible assets, working capital, and net tax assets. Return on invested capital declined to 15.9%, due to acquisitions (2015: 18.8%).

Invested capital

in millions of €, unless otherwise indicated

	2016	2015
Goodwill and acquisition-related intangible assets	3,286.3	2,603.3
Trade and other receivables [1]	4,104.3	3,428.9
Trade and other payables [2]	3,392.2	2,807.5
Operating working capital	**712.1**	**621.4**
Net tax assets [3]	479.6	516.8
All other assets/(liabilities) [4]	456.2	293.4
Invested capital	**4,934.2**	**4,034.9**
Financed by		
Total equity	4,140.8	3,861.7
Net debt	793.4	173.2
Invested capital	**4,934.2**	**4,034.9**
Ratios		
DSO (Days Sales Outstanding, moving average)	51.4	50.7
Working capital as % of revenue	3.4%	3.2%
Leverage ratio (net debt/EBITDA)	0.8	0.2
Return on invested capital [5]	15.9%	18.8%

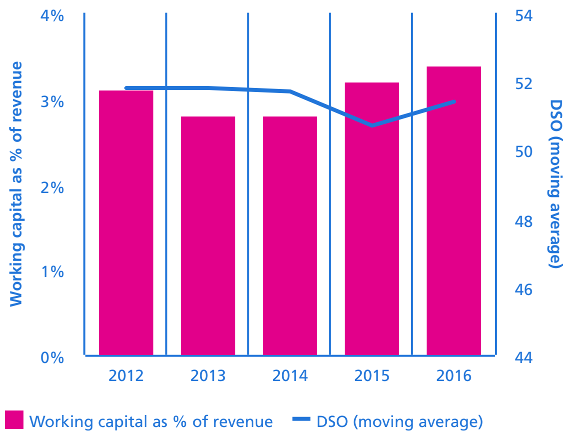
1 Trade and other receivables minus the current part of financial fixed assets, deferred receipts from disposed Group companies, and interest receivable.
2 Trade and other payables minus interest payable.
3 Net tax assets: deferred income tax assets and income tax receivables less deferred income tax liabilities and income tax liabilities.
4 All other assets/liabilities: property, plant and equipment, and software, plus financial assets and associates, less provisions and employee benefit obligations and other liabilities.
5 Return on invested capital: underlying EBITA less income tax paid as a percentage of invested capital.

Operating working capital

During the year, we continued our focus on working capital management, paying special attention to the collection of trade receivables and the reduction of overdues. Trade receivables grew along with the revenue growth. As a percentage of revenue, working capital was 3.4% (2015: 3.2%). Within working capital, the component we most need to be able to influence is trade receivables. Our DSO increased to 51.4 days (2015: 50.7), due to the higher DSO of acquired companies (mainly Obiettivo Lavoro and Monster). We aim to realize further improvements by focusing on the aging of trade receivables, including payment terms and overdues. The graph 'Working capital management' shows the development of working capital and DSO over the past few years.

Our exposure to bad debt remained limited, amounting to only 0.3% of revenue (2015: 0.2%). The change was due to acquisitions. Our trade receivables portfolio is very diversified geographically, in terms of both segmentation and client base, which mitigates credit risk. Current liabilities mainly comprise liabilities such as wage tax, social security charges, and pensions, for which payment terms are determined by law and therefore difficult to change.

Working capital management



All other assets and liabilities

For the purpose of analyzing our invested capital, we have grouped various other assets and liabilities. Please see footnote 4 of the invested capital table for a description of the constituents. The largest part of the year-on-year change in this section was caused by a € 110.3 million increase of the CICE receivable (arising from tax credits under the French Competitive Employment Act). These tax credits can be offset against the income tax liability with respect to the calendar year to which the wages (based on which the tax credit is calculated) relate. Any excess credit can be carried forward and offset against the tax liability in the next three years. Any excess after three years will be refunded. The first refund of € 67.4 million is expected in 2017.

Net debt

Our net debt position increased to € 793.4 million, mainly as a result of net acquisitions (€ 709 million), dividends paid (€ 320 million), and a solid free cash flow of € 464.6 million. As a result, the leverage ratio (net debt divided by 12-month EBITDA) was 0.8 at year-end, well within our targeted range of between 0 and 2. The section 'How we measure performance' contains an overview of the development of net debt and the leverage ratio.

Net debt

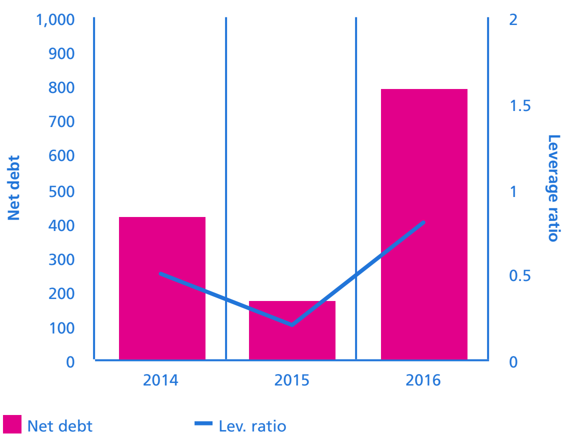
in millions of €, unless otherwise indicated

	2016	2015
Cash and cash equivalents	385.8	133.5
Less: Non-current borrowings	699.2	124.6
Less: Current borrowings	480.0	182.1
Net debt	**793.4**	**173.2**
Leverage ratio	0.8	0.2

As at December 31, 2016, the Group had a € 1,920 million committed multi-currency syndicated revolving credit facility at its disposal (2015: € 1,800 million), which matures in July 2021 (2015: July 2020). As the second extension option was exercised in 2016, the final maturity date is now July 2021. The facility agreement contains a covenant with respect to the net debt to EBITDA ratio (leverage ratio), as well as a paragraph on material adverse changes. The net debt to EBITDA ratio has a limit of 3.5, and is calculated based on the results of the Group on a 12-month basis. In certain cases, Randstad is allowed to report a leverage ratio of 4.25x EBITDA for a limited period of time.

Net debt and leverage ratio development

in millions of €



Cash flow analysis

Free cash flow

Free cash flow amounted to € 464.6 million (2015: € 498.8 million). The increase in working capital requirements (€ 169.5 million outflow) is driven by M&A and the funding of our organic sales growth. Due to a different mix in taxable profits and losses and a shift in tax deductible costs between 2016 and 2015, the cash tax rate of 2015 was relatively low compared to 2016 and 2014. Capex increased in 2016, driven by a refurbishment of our headquarters in the Netherlands (€ 11 million), the addition of Monster (€ 6 million) and other investments in future growth. For more details on this topic, see the Consolidated statement of cash flows on page 115.

Consolidated cash flow statement

in millions of €

	2016	2015
EBITA, actual	**892.0**	**832.0**
Depreciation, amortization and impairment of property, plant and equipment, and software	74.1	64.7
EBITDA	**966.1**	**896.7**
Working capital	(169.5)	(121.9)
Provisions and other items	(77.1)	(103.8)
Corporate income taxes	(159.8)	(105.4)
Net cash flow from operating activities	**559.7**	**565.6**
Net capital expenditures [1]	(94.0)	(63.0)
Loans and receivables	(1.1)	(3.8)
Free cash flow	**464.6**	**498.8**
Net acquisitions and disposals [2]	(709.0)	(83.9)
Issue of ordinary shares	0.1	4.2
Purchase of own shares	(35.8)	(58.3)
Dividend paid on ordinary shares	(307.2)	(81.5)
Dividend paid on preference shares	(12.6)	(12.6)
Net finance costs	(11.8)	(9.1)
Translation and other effects	(8.5)	(8.8)
Net decrease of net debt	**(620.2)**	**248.8**

1 Net additions in property, plant and equipment and software.
2 Net acquisitions and disposals of subsidiaries/activities, associates and equity investments at an amount of € 709.0 million, includes an amount of € 128.3 million of non-current borrowings acquired.

country performance

Introduction

Randstad operates in 39 countries, representing more than 90% of the global HR services market. This is not likely to change much, as we believe our current network covers the most attractive geographies. In this section, we provide an overview of our underlying performance in these countries in 2016.

North America

in millions of €	2016	2015	Organic Δ
Revenue	4,719.9	4,653.4	1%
EBITA	266.1	249.1	6%
EBITA margin	5.6%	5.4%	

Randstad is one of the largest providers of HR services in North America. We hold leading positions in key verticals, including IT, accounting and finance, office/clerical, industrial, and permanent placements. In 2016, sales in North America increased 1.1%, while gross profit was up 1.7%. Overall profitability in North America reached a new record level for the fourth consecutive year. This was a result of improved focus on pricing and continued cost control. EBITA margin increased to 5.6% in 2016, compared to 5.4% in 2015.

US revenue grew by 1.0%, while gross profit grew by 1.5%. With our continued advances in field steering and improvements in back-office efficiency, EBITA margin for our combined US businesses improved once again. The US staffing market saw moderate overall growth in 2016 compared to recent years, coupled with a declining labor supply within many key verticals. In 2016, Randstad US launched a Big Data project aimed at increasing recruitment efficiency, ultimately enhancing both the client and the candidate experience. Client segmentation and gaining cost efficiencies through the implementation of centralized delivery models continue to be areas of strong focus.

Main market positions, 2016[1]

in billions of local currencies

Markets	Market growth	Market share	Market position
United States	4%	4%	2
Netherlands	9%	18%	1
France	6%	14%	3
Germany	6%	8%	1
Belgium & Luxembourg	7%	25%	1
Spain	9%	29%	1
United Kingdom	3%	2%	7

1 Based on country data, 2016 figures, and SIA estimated growth rates.

The US Staffing and Inhouse businesses benefited from the combined impact of field steering, strong perm revenue growth and pricing discipline, with full-year growth of 3% in revenue and 4% in gross profit, outperforming the market. Inhouse Services performed particularly well, driven by strong growth in new accounts. Permanent placements within our Staffing business grew 13% compared to 2015.

Revenue growth in our US Professionals group was down 2%, and gross profit was down 1%. EBITA margin in our combined Professionals businesses was flat year-on-year. IT revenues came down by 2%, while our healthcare business grew by 13%. Engineering continues to face tough market conditions, and was down 3% for the year.

Our Sourceright business grew by 7%, mainly driven by 25% growth in MSP.

Development in the main geographic markets

in millions of €, unless otherwise indicated

	Revenue		Organic	Average candidates		Average corporate staff	
	2016	2015	growth	2016	2015	2016	2015
North America	4,719.9	4,653.4	1%	109,200	108,800	6,530	6,430
Netherlands	3,185.6	3,076.9	3%	82,500	76,600	4,320	4,150
France	3,045.1	2,845.1	7%	78,200	74,600	3,570	3,460
Germany	2,087.6	1,969.6	6%	47,000	45,800	2,660	2,570
Belgium & Luxembourg	1,372.5	1,350.3	2%	41,900	41,400	1,940	1,890
Iberia	1,275.1	1,193.5	7%	63,200	61,000	1,870	1,750
United Kingdom	817.2	909.5	1%	14,700	16,000	1,530	1,560
Other European countries	2,338.5	1,576.6	13%	79,600	60,100	4,150	2,820
Rest of the world	1,842.6	1,644.3	7%	110,000	113,100	5,510	4,930
Corporate	n.a.	n.a.	n.a.	n.a.	n.a.	200	190
	20,684.1	**19,219.2**	**5%**	**626,300**	**597,400**	**32,280**	**29,750**

Canada
Despite very challenging market conditions, Randstad Canada performed well, and revenue increased by 3%. A strong performance in perm, which grew by 9%, resulted in a strong gross profit performance and increase of profitability.

The Netherlands

in millions of €	2016	2015	Organic Δ
Revenue	3,185.6	3,076.9	3%
EBITA	182.2	194.4	(6%)
EBITA margin	5.7%	6.3%	

In the Netherlands, where Randstad is the market leader, revenue grew 3% organically. Our EBITA margin decreased 60bp to 5.7%, and perm fees increased 8%.

Our combined Staffing and Inhouse revenues (represented by the Randstad and Tempo-Team brands) increased 3%. Our Professionals business was flat after a strong year of growth in 2015 (up 17%). Our HR Solutions business, which mainly consists of payroll services, suffered substantially from the loss of the Dutch government payrolling. The market remained competitive. Although we were able to keep a high conversion rate by having the right delivery models in place with regard to both our Inhouse Services concept and central delivery, we were unable to fully offset the pricing pressure.

France

in millions of €	2016	2015	Organic Δ
Revenue	3,045.1	2,845.1	7%
EBITA	168.4	148.7	13%
EBITA margin	5.5%	5.2%	

Randstad is the third-largest provider of HR services in France, with a 12% market share. Revenue grew 7% at an EBITA margin of 5.5% (an improvement of 30bp compared to 2015). In France, we have leading positions in Inhouse Services, healthcare and permanent placements. Our French market grew by 7% in 2016, compared to 4% in 2015. This was mainly driven by strong growth in transportation (up 18%), construction (up 17%) and industry (up 10%).

Regaining market share while consolidating higher profitability levels was Randstad's primary goal in France throughout 2016. Our focus remains strongly on profitable market segments. This is of paramount importance, as we operate in a mature market in which prices are under pressure. Our combined Staffing and Inhouse revenues grew 6%, and we achieved 12% growth in Professionals. Overall revenue from permanent placements grew by 29% in 2016 across all business lines, with Professionals placements increasing by 31%, helped by our new big data tool, 'Starter'.

The 12% growth in Professionals was driven by a very strong performance from our Expectra brand (16% growth), as well as another good year for our healthcare services (up 10%). Our focus on applying our Tech & Touch strategy to better serve our SME clients also paid off, with our retail accounts growing at twice the rate of our large accounts in 2016.

Germany

in millions of €	2016	2015	Organic Δ
Revenue	2,087.6	1,969.6	6%
EBITA	100.3	95.7	6%
EBITA margin	4.8%	4.9%	

The German staffing market continued its recovery into 2016, following the green shoots that appeared in the course of 2015. Our overall revenue increased by 6% compared to the previous year, and we managed to expand our market leading position. Underlying EBITA margin reached 4.8%, compared to 4.9% in 2015. The lack of improvement was solely attributable to Q4 2016, which saw a much lower release in holiday accruals than Q4 2015, as well as fewer working days and a higher sickness rate.

In Staffing and Inhouse Services (where we operate as Randstad and Tempo-Team), we grew by 6%. Our Inhouse Services started off below last year, due to continued transfers and less business from some major clients, but managed to recapture growth in the second half of the year. Our continued efforts in Staffing to improve our business mix paid off, and we managed to both increase our SME business and continue to grow in permanent placements.

In Professionals, we formerly operated under two brands in Germany: GULP and Randstad Professionals. GULP has been the most important source of IT project candidates among external specialists in Germany, while Randstad Professionals provided high-end HR solutions in the engineering and IT services segments. In order to be able to leverage best practices and improve performance, we decided to move Randstad Professionals under GULP leadership in 2016 and rebranded the company into GULP Solution Services. Revenue of the combined Professionals businesses increased by 8%.

Belgium & Luxembourg

in millions of €	2016	2015	Organic Δ
Revenue	1,372.5	1,350.3	2%
EBITA	87.5	79.6	10%
EBITA margin	6.4%	5.9%	

Randstad remains the clear market leader in Belgium and Luxembourg. The market recorded 7% growth in the year, despite a difficult start, which was overshadowed by the terrorist attacks. Overall, revenue grew by 2% in 2016. The combined Staffing and Inhouse Services businesses (where we operate as Randstad and Tempo-Team) reported 1% topline growth. EBITA increased by 50bp to 6.4%, thanks to a continued focus on client profitability. For the second year in a row, the Belgium & Luxembourg region recorded the highest level of profitability in its history.

Iberia

in millions of €	2016	2015	Organic Δ
Revenue	1,275.1	1,193.5	7%
EBITA	59.7	51.4	16%
EBITA margin	4.7%	4.3%	

Revenue growth in our Iberian business was 7%, with EBITA margin reaching 4.7%, compared to 4.3% in 2015. We are market leader in both Spain and Portugal.

Spain
Spain enjoyed another strong year in 2016 (revenue up 8%). This was due to the underlying improvement in the economy and labor market, as well as our relentless focus on client profitability, internal productivity, and risk control. Our Staffing business grew by 7%, and Inhouse Services by 12%. Our decision to continue to invest in the Professionals business has paid off, as we are now clearly one of the Top 3 Professionals players in Spain. Innovation also played an increasingly important role in 2016.

Portugal
Overall revenue increased by 6% compared to last year. Strong growth was achieved in the contact center business, and our Professionals business also had a good year, with continued growth in permanent placements. The combined Staffing & Inhouse Services businesses were in line with the previous year. We focus on client profitability and optimization of delivery models, such as the successful implementation of our Inhouse concept. The implementation of field steering and the ongoing optimization of administrative processes were important achievements in 2016.

United Kingdom

in millions of €	2016	2015	Organic Δ
Revenue	817.2	909.5	1%
EBITA	20.7	22.0	6%
EBITA margin	2.5%	2.4%	

Following a strong first half year, with EBITA up year-on-year on the back of a small gross profit improvement, the second half of the year slipped, with the fallout from Brexit hitting some of our business lines.

For the full year, EBITA (up 6%) remains ahead of the prior year, despite only limited revenue growth. Our Sourceright business and our Construction, Property & Engineering business unit both performed well, delivering continued growth, while our Professionals business suffered a little in a competitive sector and tumultuous period. Our public sector business lines have been joined together to form a single, dedicated business unit. Similarly, our private-sector, professionally focused business lines have been joined together into our new Business Solutions business unit. We continue to focus on operational efficiency improvements, both in terms of innovative digital solutions and simplification of business processes. As a result, we are starting to see improved productivity.

Other European countries

in millions of €	2016	2015	Organic Δ
Revenue	2,338.5	1,576.6	13%
EBITA	93.8	61.9	13%
EBITA margin	4.0%	3.9%	

Revenue growth for 'Other European countries' was 13% in 2016, while EBITA margin improved 10bp to 4.0%.

Poland
In Poland, we again had a good year, growing 12%. Randstad Poland was particularly successful in the Inhouse Services business, as well as in Professionals. However, we do see that market conditions are becoming tougher, due to scarcity of candidates. The large cities in Poland already have almost no unemployment.

Italy
In Italy, where we acquired Obiettivo Lavoro in 2016, we became the No. 2 in the market, after being No. 4 in the previous years. The Obiettivo Lavoro integration is well on track. Revenue grew organically by 16% to € 1 billion. Growth accelerated in the second half of the year, with a positive effect on market share. This was led by good growth in both Staffing and Inhouse Services, supported by significant investments in consultants. In addition, we achieved very good results in permanent placements in Professionals, with 43% year-on-year growth. Operational expenditure remained under control, with dedicated investments to maintain growth.

Nordics
After the successful completion of the acquisition of Proffice in early 2016, we immediately started full integration of Randstad and Proffice across the Nordic region, as a result of which the integration is now well on track. In 2016, we saw revenue growth in our combined businesses in Sweden being somewhat under pressure, driven by transfers and reduced demand on the part of a few large clients. However, growth in permanent placements, which comprised 21% of gross

profit, was strong, posting 20% growth on a pro forma basis. In Norway, where the market faced a severe downturn in previous years, we saw green shoots of recovery in 2016, and we managed to improve our underlying profitability in 2016. In Denmark, where the magnitude of the integration was relatively limited, we outperformed the market, with revenue growth reaching 11% on a pro forma basis.

Switzerland

In 2016, the Swiss market showed the first signs of recovery after the Swiss Franc revaluation in 2015. With 13% sales growth, we outperformed the Swiss market for the sixth consecutive year.

Austria

In Austria, we grew by 9%, ahead of the market and mainly thanks to the strong performance of Inhouse Services and Professionals.

Hungary, Turkey, Czech Republic, Greece, and Romania

In Hungary, where we are a strong leader in perm, we had another very successful year, growing our Randstad business by 15%. In the Czech Republic, we again booked high-double-digit growth (22%). In Turkey, we had an excellent year given the turbulent political situation in the country (up 9%), and we were able to improve our profitability. Randstad also had a good year in Greece, where we grew 32%, which was well ahead of the market. Romania was added to Randstad's country portfolio through the Obiettivo Lavoro acquisition.

Rest of the world

in millions of €	2016	2015	Organic Δ
Revenue	1,842.6	1,644.3	7%
EBITA	36.9	20.8	46%
EBITA margin	2.0%	1.3%	

Revenue in the 'Rest of the world' region grew by 7% organically. EBITA margin improved from 1.3% to 2.0%.

Japan

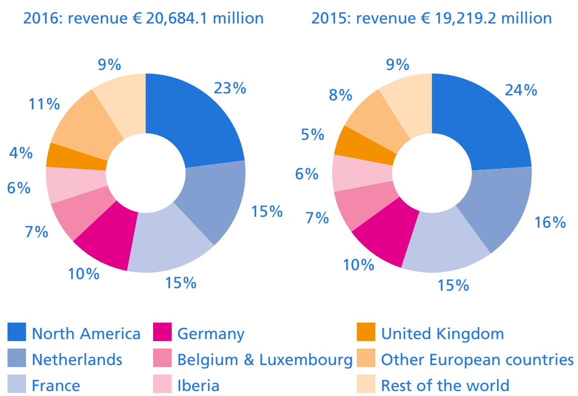
In Japan, we continued to invest in expanding our position in Professionals and permanent placements in 2016. Overall, revenue grew by 5% year-on-year, with solid performance in Staffing and Outsourcing. Permanent placements for entry-level jobs achieved double-digit growth, and Professionals nearly doubled its revenue with strong demand from clients due to talent shortages resulting from the lowest unemployment rate in 20 years in Japan (close to 3.0%). Inhouse Services successfully expanded the number of locations to 81 (2015: 52).

In July 2016, Randstad acquired Careo, which provides white-collar staffing and IT/Engineering services in central Tokyo. The integration of this acquisition is well on track.

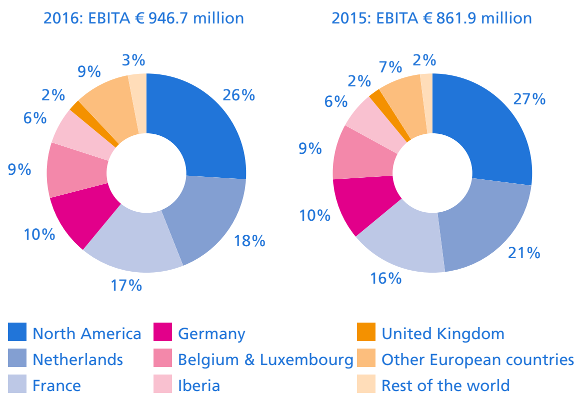
Australia and New Zealand

Operations in Australia continued to show solid growth (8%), while improving profitability on the back of strong numbers in permanent placements. Within Staffing, our Education business had a record year, while Business Support continued to invest in the strength of its excellent performance. The strong growth in our Assessment & Transition business helped drive improvements in profitability. The Professionals, Technologies, HR Partners and Construction, Property & Engineering divisions all capitalized on their strong reputation and footprint to deliver solid growth and results.

Revenue split by geography



EBITA split by geography



New Zealand operations experienced moderate growth (4%) on the back of the refocused business model and streamlined business divisions adopted in 2015. They will serve as a solid base to leverage from in 2017.

India

India closed 2016 up 3% organically. In our Staffing business, we increased efficiency in delivery by merging mid- and back-office activities, while gaining further traction in the Specialties segment. The Selection business showed a solid increase in productivity. Our RPO market presence became more visible, almost doubling in size. Due to a strong focus on cost-effectiveness, Randstad India returned to profit in the last quarter of the year.

China and other Asian countries

At 13%, double-digit revenue growth of our Chinese business continued into 2016, mostly driven by our temporary Staffing business, despite the challenges related to the implementation of VAT in China. The revenue growth in our temporary Staffing business was achieved both through the expansion of business with our existing clients and through new client acquisitions. Strong cost and productivity management ensured a healthy conversion of topline growth into China's bottom line.

Outside mainland China, we saw further traction in our permanent placement business in Hong Kong, mainly carried by our accounting and CPE verticals.

In Malaysia, our repositioning strategy towards the Professionals segment led to double-digit growth, mainly in the CPE segment, while we also achieved substantial productivity improvements. In addition to our regular business, we operate a sourcing center from Kuala Lumpur to service RPO/MSP clients in the region and in other parts of the Group.

Our operations in Singapore saw another year of strong performance with double-digit growth and solid incremental returns. In this highly competitive market, we continue to gain market share in the majority of the segments we operate in.

Latin America

In Latin America, both our Argentinean and Chilean businesses continued to show good progress and delivered profitable growth, while introducing new concepts and focusing on improved business processes. Our Brazilian business faced a very challenging environment, but was successful in introducing a range of new value propositions. In Mexico, we continued to focus on improving our business mix and productivity.

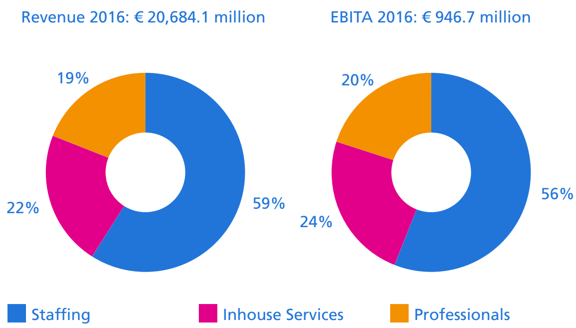
"With Checkster, a candidate's references are checked in the blink of an eye"

performance by revenue category

Introduction

In this section, we provide an overview of the underlying performance per revenue category in 2016. More detailed information on these service concepts can be found in the section 'Value for our clients and candidates'. In our financial reporting, we have merged these service concepts into three revenue categories: Staffing (including HR Solutions), Inhouse Services, and Professionals (including Search & Selection).

Split by revenue category



Staffing (including HR Solutions)

in millions of €	2016	2015	Organic Δ
Revenue	12,065.2	11,186.4	3%
EBITA	566.5	514.9	0%
EBITA margin	4.7%	4.6%	

In the revenue category of Staffing, we include the service concepts of Staffing and HR Solutions. Within Staffing, we serve clients in the industrial segment (blue-collar) and administrative segment (white-collar). In our revenue mix, this is about 50:50. HR Solutions includes a wide range of services, of which Payroll Services, RPO, MSP, Outsourcing and Outplacement are the largest. HR Solutions is well-established in the Netherlands and North America, while we have implemented a number of initiatives to further diversify our service portfolio in Europe and Asia. One of our priorities has been to achieve a greater share of permanent placements in our Staffing businesses. In 2016, we continued our progress in this regard, with permanent placements increasing proportionately, with growth of 15% in the year (excluding RPO).

Staffing revenue was € 12.1 billion. On an organic basis, this was an increase of 3%. The growth rate is impacted by the transfer of business from Staffing to Inhouse Services, as we continued to optimize our service delivery to our clients. At the same time, we also saw an increase in the amount of business through central delivery. In the Netherlands, where central delivery is more established, we already see that around 60% of our business is no longer serviced through branches. This allows our branches to focus on SMEs.

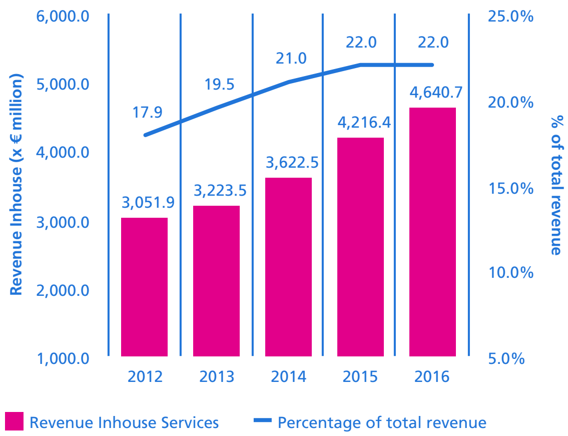
In HR Solutions, revenue continued to see solid growth. RPO showed a solid performance, while revenue in MSP saw strong growth throughout the year. Payroll Services faced a significant adverse impact due to the loss of a major contract with the government (due to insourcing). With the transformation of our European RPO/MSP business, we continue to see benefits, notably in the cross-border/multi-country growth of RPO and MSP.

Underlying EBITA margin improved from 4.6% to 4.7%.

Inhouse Services

in millions of €	2016	2015	Organic Δ
Revenue	4,640.7	4,216.4	10%
EBITA	241.0	212.7	25%
EBITA margin	5.2%	5.0%	

Revenue from Inhouse Services



Inhouse Services continued to see sound growth in 2016. Revenue grew by 10% to € 4.6 billion, as we continued to align clients to the most appropriate delivery model.

The concept has grown significantly in recent years, and continues to perform well within the traditional large-client, large-volume, blue-collar manufacturing space. Growth continues to be supported by transfers from Staffing. However, we also see growth from clients entering directly into an Inhouse Services relationship.

In addition to the strong position we retain in the blue-collar manufacturing segment, we also see opportunities for further growth in white-collar staffing, and within those Professionals segments where volume recruitment is evident.

EBITA margin remained at a good level, moving to 5.2% (from 5.0%), slightly above the top end of our targeted range of between 4% and 5% for this revenue category.

Professionals

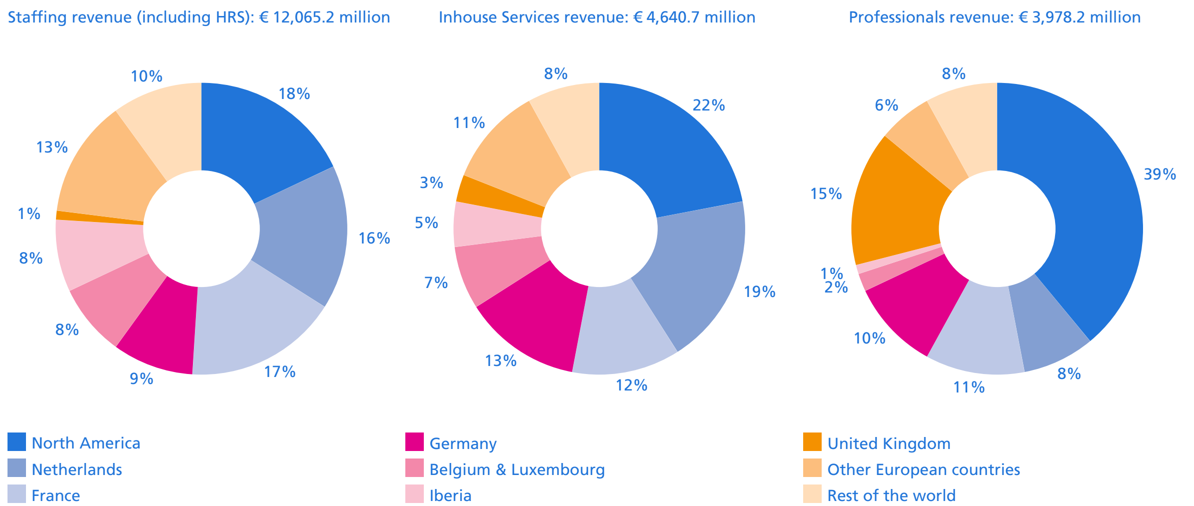
in millions of €	2016	2015	Organic Δ
Revenue	3,978.2	3,816.4	3%
EBITA	208.1	196.0	7%
EBITA margin	5.2%	5.1%	

Revenue in Professionals was 3% higher year-on-year. Perm fees were 3% ahead of last year.

Our Professionals business strengthened its operations based on industry sectors (verticals). The use of verticals strengthens our position in the Professionals segment, with strong verticals apparent in IT, Finance, Healthcare, and Construction/ Engineering.

Profitability continued to improve gradually across several geographies, with EBITA margin reaching 5.2%, compared to 5.1% in 2015. We continue to see opportunities for profitable growth in the Professionals segment, both organically and through acquisitions.

Geographic revenue spread [1]



1 Revenue of Monster is included in Staffing.

investor relations & share performance

Investor Relations

Randstad Investor Relations' main goal is to safeguard our 'financial brand'. Whereas clients and candidates recognize the Randstad brand for its reliability and service quality, investors and analysts should recognize our brand for its open and transparent communication. Our aim is to be best in class in terms of disclosure and to provide insight into the strategic direction of the business. These efforts should enable an accurate valuation of Randstad shares over time.

Investor relations policy

We maintain an active, open and transparent dialogue with existing and potential shareholders, as well as with analysts and banks. We organize road shows, attend investor conferences, and accommodate meeting requests wherever feasible, as well as adhering to all legal obligations relating to confidentiality.

We are committed to providing high-quality and timely information to all stakeholders, while at the same time ensuring that the entire market has access to such information (including price-sensitive data). Our policy is that, whenever possible, we make a member of the Executive Board and/or a representative of the Investor Relations department available to meet with investors. From time to time, we also involve country management and facilitate field trips.

Bilateral meetings and conference calls with analysts and actual or potential shareholders will not be held during 'closed periods', which normally run from the end of a quarter until publication date. Our policy of holding bilateral meetings with shareholders is set out in the corporate governance section on our corporate website.

Dialogue with investors, analysts, and other stakeholders

Each quarter, Randstad organizes conference calls to discuss the latest results. These events are broadcast online. In addition, we hold events to inform the markets on our business. In 2016, we held two fireside chats with sell-side analysts, where we provided an update on our recent operational performance, strategy, and outlook.

In 2016, we continued to visit investors via roadshows and conferences. In total, we participated in 11 broker conferences and held two Inhouse & Tech innovation demo days in both France and the Netherlands. We also went on 40 roadshows in Belgium, Canada, China, France, Germany, Hong Kong, Italy, Ireland, Japan, the Nordics, Singapore, Spain, Switzerland, the Netherlands, the UK, and the US. In addition, a large number of investor meetings were held at our head office in the Netherlands.

On March 31, 2016, we held our Annual General Meeting (AGM) of Shareholders. More information on the AGM, including key decisions and attendance, can be found in the section 'Report of the Supervisory Board'.

- Dividend: € 1.89 per share, 50% payout ratio
- Dividend yield: 3.7%
- Diluted earnings per share, underlying: € 3.75
- Market capitalization at year-end: € 9,431.2 million

Financial strategy

In 2016, we continued to focus on strong cash flow generation, while increasing our working capital requirements driven by M&A and the funding of our organic sales growth. As a result, the free cash flow decreased by 7% to € 465 million. We used our free cash flow to reduce our 2016 debt, to pay a dividend, to acquire Proffice, Obiettivo Lavoro, Careo, twago, and Monster Worldwide.

More information on our debt can be found in the 'Capital structure' section.

Capital structure

Invested capital amounted to € 4.9 billion, and we achieved return on invested capital of 15.9%, down from 18.8% last year. More information on and an analysis of invested capital can be found in the section 'Financial performance'.

Invested capital

in millions of €

	2016	2015
Net debt	793.4	173.2
Total equity	4,140.8	3,861.7
	4,934.2	**4,034.9**
Return on invested capital	15.9%	18.8%

Debt

Our financing policy aims to secure financing that matches the mid- to long-term financing requirements of the Group. During the year, we took the opportunity to extend our debt facility on favorable terms for another year. The increase in working capital requirements driven by M&A, as well as the funding of our organic sales growth, drove our net debt up by € 620.2 million over the year, which in turn increased our leverage ratio (net debt/12-month EBITDA) to 0.8, well within our targeted range of between 0 and 2, despite the acquisitions made in 2016. We consider being within this range important for continuity. We have maintained our policy of using floating interest rates as a natural hedge against the development of operational results, which continued to pay off significantly during 2016.

Debt

in millions of €

	2016	2015
Total debt facility	1,920.0	1,800.0
Net debt	793.4	173.2
Leverage ratio	0.8	0.2

Total equity

During 2016, the number of issued and outstanding ordinary shares remained virtually stable compared to 2015 at 183 million.

We aim to offset the dilutive effect of the performance share plans through share repurchase programs. This policy will be pursued as long as the value of shares to be issued is below € 25 million, and if higher, when our financial position allows for it. In January 2016, we repurchased around 297,000 shares. Between October 25, 2016 and February 13, 2017, we started a share repurchase program to buy back around 763,000 shares. We intend to neutralize the impact of the additional 0.4 million share dilution in 2017, after February 14 (when we issue our FY 2016 results). This will be used for the allocation of shares under the performance share plans on February 14, 2017.

Total equity

	Numbers year-end (in millions) 2016	2015	Nominal value per share
Ordinary shares	183.0	183.0	€ 0.10
Preference shares B	25.2	25.2	€ 0.10
Preference shares C	50.1	50.1	€ 0.10
Total number of shares	**258.3**	**258.3**	

On March 31, 2016, the Annual General Meeting of Shareholders approved a proposal to pay a cash dividend of € 1.68 per ordinary share.

On December 31, 2016, there were 50.1 million preference shares C in issue. The dividend yield on these shares is 5.8%. For preference shares B, there were 25.2 million shares in issue, with a dividend yield of 2.7%. We consider preference shares to be an attractive part of equity. It provides fully committed long-term capital at relatively low cost.

Voting rights on shares

The ordinary shares have equal voting rights (one share, one vote). The voting rights on the preference shares B and C are aligned with the historical capital contribution. This means that there are 3.6 million voting rights on preference shares B and 5.6 million voting rights on preference shares C.

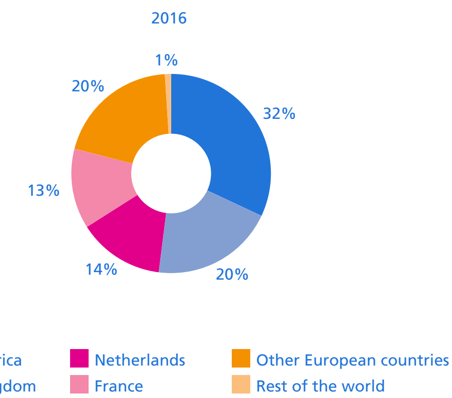
Listing and indices

Randstad Holding is publicly listed on Euronext Amsterdam (ticker symbol RAND.AS), where Randstad shares and options can be traded. Randstad shares are also included in a number of other indices, such as Euronext 100, Dow Jones Stoxx Europe Sustainability, Dow Jones Sustainability World Index, Euronext Vigeo Benelux 20and the Euronext Vigeo Eurozone 120. Inclusion in major indices is important, because it improves visibility and liquidity.

Indicative free float

Randstad's free float amounts to approximately 60%. The majority of the free float of ordinary shares is held outside the Netherlands. We actively pursue an international spread, reflected by 52% of shares held by Anglo-Saxon investors (2015: 51%). During 2016, French investment rose from 10% to 13% of free float. We estimate that in total approximately 84% of our ordinary shares are held by institutional investors, while retail investors hold around 8%.

Indicative geographic spread of ordinary shares (free float)



Major shareholders

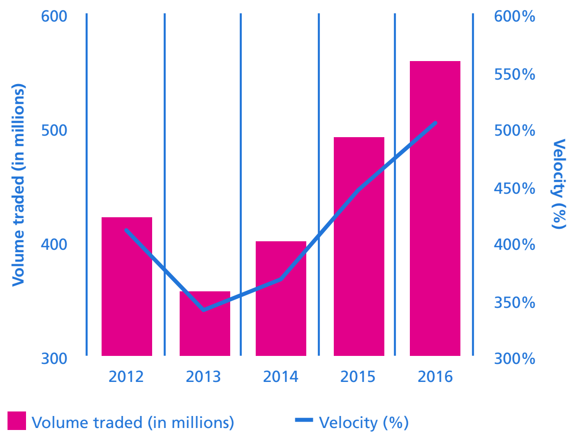
A list of our major shareholders can be found in the report of the Supervisory Board under 'Legal transparency obligations'.

Value investors retain their position as the largest holders of Randstad shares, comprising 33% of the free float. Growth-focused investors own 22% of the ordinary shares, with the remainder being held by alternative, index and yield investors.

Liquidity

The number of shares traded has risen substantially, from 86 million in 2005 (mainly on Euronext) to about 560 million in 2016 on various trading platforms, but mainly on Euronext. Velocity (measured as the total number of shares traded divided by the average number of shares outstanding) also played a role. Velocity increased significantly in the year, reflecting the increased volatility in the markets. Our velocity level implies that the average holding period is around four to six months for the total number of outstanding shares, or approximately two to four months for the free float.

Share volume traded and velocity[1]



1 Numbers of previous years were restated to include OTC (Over the Counter Trades).

Dividend policy on ordinary shares

We continue to aim at a flexible payout ratio of 40% to 50% of net profit adjusted for amortization and impairment of acquisition-related intangible assets and goodwill, integration costs, and one-offs, provided our financial position allows for it.

In 2016, we further enhanced our financial position. In addition, our business sustained growth throughout the year, and we improved profitability. As a result, and in line with our dividend policy, we will propose to our shareholders an all-cash dividend of € 1.89 per ordinary share, based on a payout of 50% (2015: 50%). The ex-dividend date will be April 3, 2017. The number of shares entitled to dividend will be determined on April 4, 2017 (record date). The payment of cash dividend will take place on April 7, 2017.

We will also propose a dividend payment on preference shares B and C of € 12.6 million.

We aim to amend our dividend policy going forward. We will propose an all-cash dividend when our leverage ratio is below 1.0. We will offer an optional dividend (cash or stock) when our leverage ratio is between 1.0 and 2.0, while proposing an optional dividend with a premium on stock dividend when our leverage ratio is between 2.0 and 2.5. We will continue to offer a stock dividend when our leverage ratio is above 2.5. We will also continue to aim at a flexible payout ratio of 40% to 50% of net profit, adjusted for amortization and impairment of acquisition-related intangible assets and goodwill, integration costs and one-offs, provided that our financial position allows for it.

Per share data

	2016	2015	2014	2013	2012
Dividend (€)	1.89	1.68	1.29	0.95	1.25
Dividend yield (%)	3.7	2.9	3.2	2.0	4.5
Payout (%)	50	50	50	45	59
Basic EPS (€)[1]	3.77	3.35	2.57	2.09	2.13
Diluted EPS (€)[1]	3.75	3.32	2.54	2.07	2.11
EBITA (€)[2]	5.18	4.74	3.92	3.26	3.25
Free cash flow (€)	2.54	2.75	2.66	1.65	2.69
Equity (€)	22.66	21.25	18.28	16.40	15.74

1 Before amortization and impairment of acquisition-related intangible assets and goodwill, badwill (2013 only), integration costs, and one-offs.
2 Underlying.

Share performance

Share price development

The share price ended the year 2016 at € 51.53, which was 10% lower than the 2015 closing price of € 57.53. In April, a dividend of € 1.68 per ordinary share was paid out. As a result, the total shareholder return (TSR) for 2016 was –8%.

In the first half of the year, the share price declined from € 57.53 to € 36.16, reaching a low point of € 32.58 amidst the uncertainty surrounding Brexit. In the second half of the year, the share price rebounded to a high of € 52.64, ultimately ending the year at € 51.53, 43% above the low point, as macroeconomic expectations raised.

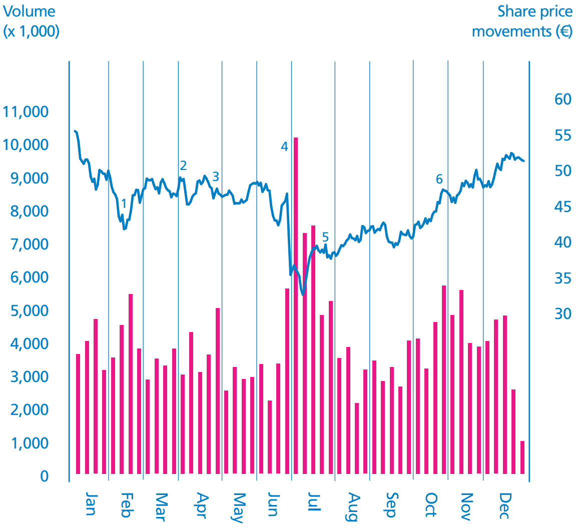
Share price development

in millions of €, unless otherwise indicated

	2016	2015	2014	2013	2012
Closing price (€)	51.53	57.53	40.06	47.15	27.81
TSR (%)	(8)	47	(12)	74	27
High (€)	57.53	64.92	49.54	47.15	30.09
Low (€)	32.58	38.37	31.40	27.81	20.52
P/E ratio	13.7	17.3	15.8	22.8	13.2
EV/Sales	0.49	0.56	0.44	0.55	0.34
Market capitalization	9,431.2	10,529.1	7,215.2	8,366.0	4,785.3
Enterprise value	10,224.6	10,702.3	7,637.2	9,127.0	5,881.0

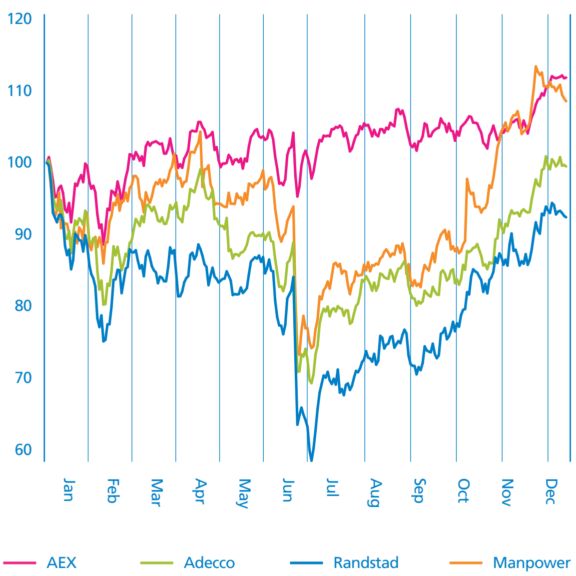
Market capitalization of ordinary Randstad shares amounted to € 9,431.2 million on December 31, 2016, compared to € 10,529.1 million on December 31, 2015.

Share price development of Randstad ordinary shares



1 February 18, 2016 - Q4 and full year 2015
2 April 4, 2016 - Ex-dividend
3 April 26, 2016 - Q1 results
4 June 23, 2016 - Brexit impact
5 July 26, 2016 - Q2 results
6 October 25, 2016 - Q3 results

Share price development of Randstad ordinary shares compared to Euronext AEX Index and peers



Analyst recommendations

Approximately 20 financial analysts regularly publish reports on Randstad. At the end of 2016, around 65% had a 'buy' rating, while 25% of analysts recommended holding on to our shares, and 10% (two analysts) had a 'sell' rating. On December 31, 2016, the average target share price – according to analyst consensus – was around € 49. The highest target price was € 60, and the lowest was € 32.

Earnings per share reporting

Randstad reports earnings per share on a fully diluted basis. We focus on earnings per share before amortization and impairment of acquisition-related intangible assets and goodwill, badwill, integration costs, and one-offs. In our view, this gives the best reflection of underlying business performance.

Diluted earnings per share[1]

	2016	2015	2014	2013	2012
Q1	€ 0.67	€ 0.50	€ 0.45	€ 0.33	€ 0.39
Q2	€ 0.93	€ 0.83	€ 0.64	€ 0.51	€ 0.51
Q3	€ 1.05	€ 0.93	€ 0.77	€ 0.65	€ 0.62
Q4	€ 1.10	€ 1.05	€ 0.68	€ 0.58	€ 0.60
Full year	**€ 3.75**	**€ 3.32**	**€ 2.54**	**€ 2.07**	**€ 2.11**

1 Before amortization and impairment of acquisition-related intangible assets and goodwill, badwill (2013 only), integration costs, and one-offs.

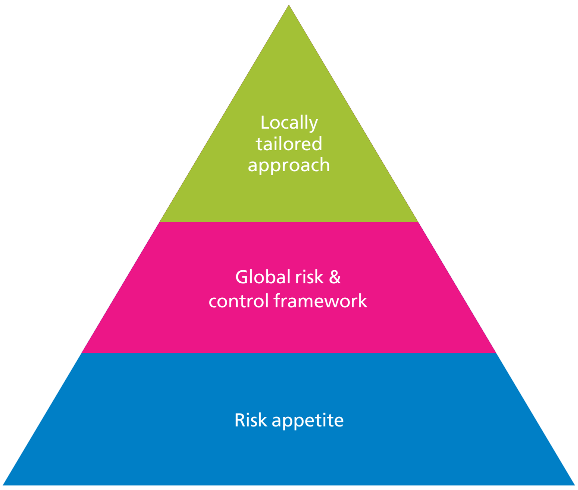
risk & opportunity management

Introduction

As part of our long-term value creation, risk and opportunity management is embedded in our strategy and is essential for achieving our targets. Entrepreneurship is actively stimulated throughout the organization, and we encourage people to identify and seize opportunities. At the same time, we counterbalance this with clear risk boundaries, which are set for operating companies in various policies and agreed in budgets. Our risk management practices, key control framework and internal audits contribute to a balanced approach.

This section provides a high-level description of our Risk & Control framework and its effectiveness, substantiating our Risk & Control statement. We elaborate on the various elements that together make up our Risk & Control framework, and describe how we manage our company in this regard.

Risk & Control management approach



Risk profile

Our risk profile is closely determined by our geographic coverage. We have wide geographic coverage, which means our exposure is spread across both mature and emerging markets, which are experiencing a variety of economic conditions and varying stages of regulatory development. These conditions are very relevant to developments in our markets. Since it remains extremely difficult to predict future economic and legislative developments successfully, we focus on responding to actual performance in all of our local markets. Our business model, our processes, and our weekly indicators help to ensure that we are flexible enough to quickly respond to growth or decline in our markets. We continuously and closely monitor key risks and opportunities, both locally and centrally, and respond appropriately to any emerging risks.

Missing out on opportunities can also result in a loss. We therefore focus on replicating successful concepts and best practices across the Group. Our Tech & Touch strategy means that our business models will change and possibly disrupt markets, and with that our risk profile will shift. For example, in the future, RiseSmart will strengthen our resilience to economic cycle downturns, and with the acquisition of Monster Worldwide we have entered into new technological business areas. We concentrate innovation in those parts of our organization where success is most likely. In addition, we have a dedicated entity, the Randstad Innovation Fund, to secure access to external innovation.

Risk & Control management approach

We manage our risks and opportunities according to local circumstances. We operate in many markets around the world, and this requires a flexible approach to risk and opportunity management. Our global Risk & Control framework is flexible and customized to local circumstances. Factors that we consider in our Risk & Control framework include the size, service offering, and local regulatory and market environment of each operating company.

Risk appetite

Our risk appetite is derived from our strategy and priorities, and is broken down into four risk areas:

- **Strategic**: We allow for strategic and M&A risks in the pursuit of long-term value creation and profitable growth, as well as risks following changes in our business mix in both mature and emerging markets. Given the volatility of the markets and economic climates in which we operate, the adaptability of our people, our service offering, and our infrastructure plays a key part in enabling us to identify and seize opportunities.
- **Operational**: We take a balanced approach to operational risk, mainly related to increased productivity in the field, which means that we consider both the risk and the reward of key business decisions.
- **Financing & Reporting**: We maintain a prudent financing strategy, even when undertaking major acquisitions, and therefore take calculated risks in this area. Only minimum risk is accepted in relation to errors in our reporting.
- **Compliance**: We consider adherence to laws, regulations, and agreements to be fundamental in enabling us to provide our candidates, our clients, and our people with

Sensitivity analysis

	Change	Impact	On	Assumption FY 2016
Revenue	+/-1%	+/- € 39 million	EBITA	Flat gross margin and no change to cost base
Revenue	+1%	+ € 20 million	EBITA	Flat gross margin and target 50% conversion (ICR)
Revenue	(1%)	- € 20 million	EBITA	Flat gross margin and target 50% recovery (RR)
Gross margin	+/-0.1%	+/- € 21 million	EBITA	Flat revenue and no change to cost base
Gross margin	+0.1%	+ € 10 million	EBITA	Flat revenue and target 50% conversion (ICR)
Gross margin	(0.1%)	- € 10 million	EBITA	Flat revenue and target 50% recovery (RR)
Operating expenses	+/-1%	+/- € 30 million	EBITA	
USD	+/-10%	+/- € 24 million	EBITA	Stable revenue and margin in US
GBP	+/-10%	+/- € 2 million	EBITA	Stable revenue and margin in UK
JPY	+/-10%	+/- € 3 million	EBITA	Stable revenue and margin in Japan
Interest rate	+100 bp	+ € 5 million	Financial charges	Average net debt 2016
Net debt	+/- € 200 million	+/- € 1 million	Financial charges	Stable interest rates

quality services. Compliance is strongly embedded in the culture of our company. We therefore take a strict approach to breaches of our core values and business principles.

The table titled 'Sensitivity analysis' illustrates the impact of the various changes and trends on our revenue, gross margin, operating expenses, and currency and interest rates on our EBITA. Typically, a trend will include a number of these elements. Overall, given the current growth trend, we aim to achieve an incremental conversion ratio of 50% (see 'Activity-based field steering' for more details).

Risk & Control framework

Our global Risk & Control framework is designed to secure the Group's in-control position. The components provide Group-wide comfort in terms of control, while giving the flexibility to adapt to the local business environment and enabling entrepreneurship. The components of the framework are shown in the Risk & Control framework diagram. Our Risk & Control framework is based on the COSO internal control framework, complemented with elements from various management and control models.

To avoid surprises, operating companies and Holding departments assess, on at least a semi-annual basis, the components of the Risk & Control framework. The results of this assessment are reported to the Group Business Risk & Audit department, and possible improvements are discussed with local management and the responsible Executive Board member. Internal audits are executed to evaluate these self-assessments. Every six months, the department reports to the Executive Board and the Audit Committee on the state of the in-control situation in the Group. The Executive Board and Audit Committee set priorities and provide guidance to further enhance control throughout the Group.

Tone at the top and culture

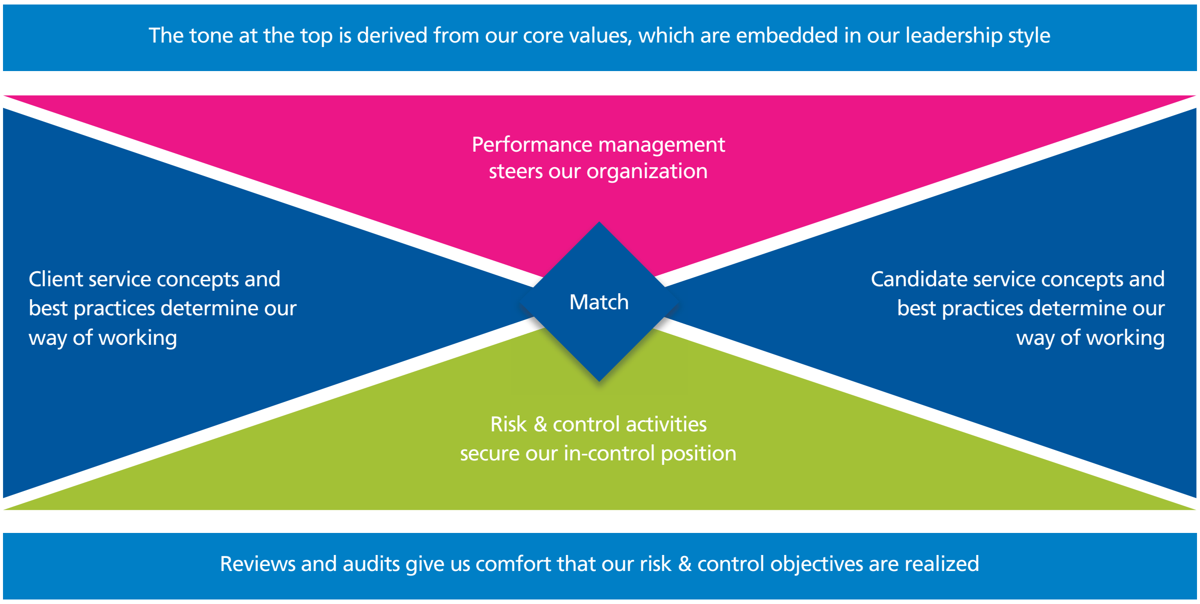
The tone at the top is derived from our core values, which are embedded in our leadership style. The tone at the top determines our culture. Randstad benefits from strong leadership, built up over 56 years. We have been able to extensively develop management by example, based on our core values and business principles.

Our core values are embodied in 16 business principles, which form the basis for the behavior we expect from all our employees. The Executive Board secures alignment of the tone at the top among senior management, while senior management ensures alignment among staff in our operating companies. This alignment exercise is a continuous effort and drives our company's culture.

Upon joining our company, our employees receive a copy of and training in the business principles and acknowledge that they will comply with them. Periodic refresher courses are also in place. These courses also form a crucial part of our strategy with regard to integrating acquired companies.

A misconduct reporting procedure is in place, which enables people to report any suspicion they have of wrongdoing via a secure phone line or website. In 2016, we received 174 complaints, 47 of which were anonymous. These complaints were assessed and investigated where necessary by the local integrity officers and/or the central integrity officer, together with the Group Business Risk & Audit department. When deemed necessary, disciplinary actions and mitigating controls were put in place.

Risk & Control framework



Each year, our Great People Survey is carried out by an external provider. This allows us to monitor the engagement of our employees, and provides indicators of the tone at the top in each of the operating companies and at the head office. Based on the results, action plans are initiated. The Great People Survey is reviewed by Group HR, the Executive Board and various management layers. The results are taken into account in appraisal discussions, as well as in setting our managers' bonus targets.

Performance management

Performance management is at the heart of our organization. The two-year plans and rolling forecasts of our operating companies are set in accordance with strategic priorities and market trends. While setting their budgets for the year ahead in relation to their plan, operating companies also describe their main risks and opportunities. This is particularly important given the significant uncertainties most of our operating companies face. By constructing various scenarios and thanks to our flexibility, we are able to prepare for and react to market volatility. Monthly rolling forecasts and incremental conversion ratio monitoring are used to enable us to make rapid adjustments to our cost base if necessary.

Our operating companies report various performance indicators on financial results, underlying process activities, and people. By setting reporting dates, performance indicators, and formats, as well as including risk and opportunity in our quarterly management reporting pack, we provide clarity that enables us to plan ahead, without disrupting our focus on day-to-day activities. By further combining this planning and control cycle with our focus on activity-based field steering, our monitoring systems have improved, giving more depth to discussions in the business review meetings. See the section 'How we measure performance' for more details.

Our Group Corporate Sustainability Reporting guidelines prescribe detailed performance indicators. In 2016, reviews were performed for some selected sustainability indicators reported. These regular performance discussions on all levels help us adapt our Risk & Control framework to dynamic local circumstances.

Concepts and best practices

Our client and candidate services concepts and best practices determine our way of working. Our strong concepts, as described in the section 'Value for our clients and candidates', provide best practices for our core commercial operations. Our concepts are tailored to local practices and market conditions. Concept reviews are carried out to identify, understand, and remediate deviations to ensure our objectives are realized.

Blueprints describe our operational best practices. They are used to govern our key processes and to enable our local operations to adapt and tailor best practices to their needs. We have implemented a contract-to-cash and procurement-to-pay blueprint in all our country organizations. These include authorization procedures for sales pricing and client contracting, as well as purchasing and mandatory usage of our supplier code. In addition, a financial close process blueprint has been implemented in all operating companies.

This blueprint is relevant for all historical financial and non-financial information, including the income statement, balance sheet, cash flow statement, and disclosures.

We have an extensive framework of Group policies that cover compliance in multiple areas. These include our Finance Manual; Competition Compliance Policy; Discrimination, Intimidation & Harassment Policy; Bribery, Gifts & Hospitality Policy; Data Protection Policy; and Information Security Policy. In 2016, a global Health & Safety Policy was rolled out to enhance global standardization. In addition, the Data Protection Policy and the Information Security Policy were further upgraded. Our policies are derived from best practices identified. Group policies are communicated throughout the Group in various ways. The Approval & Information Requirements Policy specifies events that either need to be approved by, or reported to, the Executive Board.

Risk & Control activities

Risk & Control activities secure our in-control position. Our operating companies compile risk registers semi-annually, and legal risk registers annually. These show the local business risks and opportunities they may be exposed to, together with action plans and deadlines to address them. The risk registers are drawn up using input from Risk & Control roundtables that are held at least twice a year in most operating companies. The aggregated data enables us to get insight into the most important risks impacting the Group. These are discussed twice a year by the Executive Board and by the Audit Committee.

Our key control framework contains a concise list of key operational, compliance and financial risks and practical control activities to guide all operating companies. The structure of the key control framework is organized around Randstad's core process: the 'funnel'. Every six months, operating companies perform self-assessments with regard to the relevant controls. The results of these control self-assessments are subsequently challenged by the Group Business Risk & Audit department and tested on a risk basis. Where necessary, Business Risk & Audit staff help local operating companies to improve their processes, controls and practices.

The key control framework is updated annually, using control experiences and best practices from around ten different operating companies. In 2016, a fraud risk assessment was performed to further upgrade the key control framework. These updates have led to a renewed management focus on internal control, as well as an improved control situation throughout the Group and a more focused and adapted set of controls. By implementing web-based tooling for the key control framework, we are able to systematically and closely monitor the adequacy of our Risk & Control framework.

Our insurance risk program follows the same principles as our global Risk & Control framework. Insurable risks are periodically assessed, and Group-wide risks are either retained or transferred to the insurance market under our global or local insurance programs. We regularly review insurable risks and our insurance policy coverage, as well as the credit ratings of our insurers.

Reviews and audits

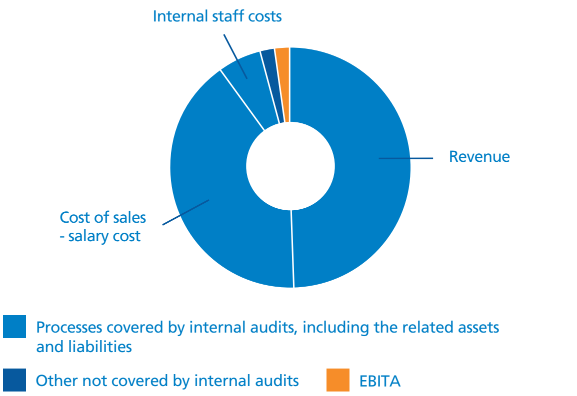
Reviews and audits reassure us that our Risk & Control objectives are being realized.

The semi-annual Risk & Control framework assessments on operating company level lead to a Group-wide in-control benchmark discussion in meetings of both the Executive Board and the Audit Committee. In these discussions, Risk & Control priorities are set, and the Group Business Risk & Audit plan is updated and agreed. The annual Group Business Risk & Audit plan is risk-based. The Executive Board identified five focus areas for 2016: candidate screening; client contract management and liabilities; payroll; data privacy and information security; and pricing processes. The resulting audit plan led to the coverage of key financial line items in the Group consolidated financial statements, such as revenue, cost of sales, salary costs, internal personnel expenses, accounts receivable, and accruals.

Putting the framework into practice

Framework component		Practical applications to our business		
Tone at the top	Core values and business principles	Onboarding training	Great People Survey	Misconduct reporting procedure
Performance management	Strategic plan and rolling forecast	Scenarios and conversion ratio monitoring	Planning, reporting and review cycles and activity-based field steering (ABFS)	Business review meetings
Concepts and best practices	Strong concepts (commercial best practices)	Corporate policies and procedures	Blueprints (operational best practices)	Authorization levels
Risk & Control activities	Risk register	Key control framework	Risk & Control round tables	Global insurance program
Reviews and audits	Semi-annual Risk & Control framework assessments	In-control benchmarks	Internal audits	In-control statement for each operating company

Audit coverage of key financial line items



The Group Business Risk & Audit department leads the internal audits and collaborates closely with other corporate departments (most commonly Legal and Tax) and the local Risk & Audit managers to cover the key risks. Findings and recommendations from the audits are discussed with the operating companies. Local management is responsible for setting action plans and deadlines and allocating responsibilities. The progress of the action plans is monitored by management, by the Business Risk & Audit network, and by the Executive Board members. The internal audit reports are submitted to the Executive Board member responsible and to our CFO.

In 2016, Group Business Risk & Audit rolled out an internal audit manual, which is aligned with global professional standards. In addition, new standard audit programs were introduced, such as the pricing audit program, which was rolled out in several countries.

The global Business Risk & Audit staff network provides a platform for sharing best practices, and is a sounding board for emerging opportunities, risks, and possible internal control gaps. The network consists of a cross-disciplinary team with Business Risk & Audit staff from the operating companies and the Group Business Risk & Audit department. Where needed, experts are involved in audits. For additional reassurance, BDO has been engaged to perform financial audits in multiple countries.

In 2016, we detected a few cases of fraud, involving, for example, the recording of non-existent permanent placements, and the payment of fictitious flexworkers. These fraud cases were investigated and, in cooperation with local management, corrective action was taken. These cases involved small amounts of money and had no material impact on the results of the Group. All cases have been widely communicated and were used to create awareness and improve fraud prevention.

Operating companies submit their in-control statement semi-annually. This statement certifies that the corporate policies have been complied with and explains any exceptions or deviations that have occurred. The statement forms a cascaded certification, which assists the Executive Board in determining our in-control situation as required by the Dutch Financial Supervision Act.

Deloitte has been appointed to act as our external auditor from 2015 onwards. In their audit plan, Deloitte covers all financially significant operations. As such, these audits are an important supplement to our own review and audit activities.

The Audit Committee is informed about the results of both external and internal audits. The role of the Audit Committee includes monitoring the risk management and control systems, the quality of the financial information, and the follow-up of recommendations made as a result of the audits. More information can be found in the Report of the Supervisory Board and in the section 'Corporate governance'.

Our main risks

Our main risks are those that threaten the achievement of the Group's objectives as well as the in-control position of the Group over the next three years. The general risk profile has not changed significantly since last year. Continuous effort is required to address evolving strategic and compliance risks.

The first table hereafter depicts the main risks as identified (categorized into four areas: Strategic, Operational, Financial & Reporting, and Compliance) that could prevent us from realizing our financial and non-financial strategic targets, as well as how we address these risks through the six building blocks of our strategic road map.

The second table provides a more detailed description of the main risks in 2016, where key risks are in bold, including the actions taken to mitigate these risks and any related opportunities. This list should not be considered exhaustive.

Our risks related to our strategic targets

	Strategic			Operational				Financial & Reporting	Compliance			
Strategic roadmap building blocks[1]	Adapting to economic and market conditions[2]	Protecting our reputation	Increased complexity of laws and regulations[2]	Information security, system development and integration, IT outsourcing[2]	Business continuity and data recovery	Talent attraction and retention	Contract liability[2]	Credit risk	Competition law compliance	Tax and labor law compliance[2]	Data protection[2]	Candidate screening
ABFS	V		V	V	V		V		V	V	V	V
Org	V	V	V	V	V		V	V	V	V	V	V
TTA		V	V	V	V	V			V	V		
Talent		V				V						
Tech	V		V	V	V		V				V	V
M&A	V	V	V						V			

1 Activity-based field steering, organizational, total talent architecture, talent management, HR technology, and mergers and acquisitions.
2 Main risks in both 2016 and 2015.

Strategic risks	Risk-mitigating actions	Related opportunities
Adapting to economic conditions Our operations are highly susceptible to macroeconomic volatility. Although we see economic improvement in some countries, we continue to focus on the flexibility of our cost base. Not being flexible enough to respond timely to changing economic conditions could have a negative impact on the profitability of the Group. Conversely, cutting costs too much could limit our ability to take advantage of a market upturn. In addition, the business landscape is changing, with new technologies being developed that over time may displace our traditional business services.	Our geographical diversity and the spread of the Group's revenues across mature and emerging markets have helped us to mitigate the impact of volatile economic conditions worldwide. By 'managing through the cycle', we provide operating companies with guidelines on how to react to changes in economic conditions. These guidelines are described in the section 'Performance'. With our Tech & Touch strategy, we are transforming our business models to stay ahead of disruptive developments. Our Randstad Innovation Fund invests in HR-technology companies to increase our agility. Our organizational strategic goal contains various actions to further prepare Randstad for market dynamics as explained in our strategic priorities.	With our strong concepts and varied service offerings, we can respond appropriately to different market conditions, and thus address changing macro-economic conditions. Our operations respond differently to economic uncertainty in the market. For example, in an uncertain market, our clients tend to use more temporary workers rather than hire permanent staff. Staffing and HR Solutions tend to be more resilient to a weaker market, with Professionals tending to perform better in a stronger market. With timely transformation of our organization and investment in HR technologies, there will be opportunities for innovative solutions to make HR services more efficient and bring fresh answers to future HR challenges. In this, we strive to be disruptive vis-à-vis the established practices in the HR services sector.
Protecting our reputation Randstad and Tempo-Team are valuable international brands, and the Randstad brand is used in all countries in which we operate. Damage to the Randstad or Tempo-Team brand in one country could have a serious impact on our global reputation.	We protect the strong reputation of our brands by ensuring that all our people adhere to our core values and business principles, and comply with our policies and guidelines. When necessary, we react promptly, using internal and external communications to mitigate potential damage. We use our Net Promoter Score as a metric to measure our image. We also have a misconduct reporting procedure, so that our people and stakeholders can report any complaints or breaches of compliance.	Our brands are managed centrally, which ensures consistency across the world and increases cost efficiency. Locally targeted marketing is applied by the operating companies. This will continue to strengthen the global recognition of our brands in a cost-effective manner.
Increased complexity of laws and regulations The complexity and quantity of laws and regulations have increased over the years, especially with respect to data protection, competition, staffing (e.g., equal pay), outsourcing, and payrolling services. Consequently, we are exposed to greater risk of non-compliance, which could result in class actions, claims, and fines or reputational damage.	In all our major operations worldwide, we have in-house legal teams who help management comply with local laws and legislation. Semi-annually, the in-house legal counsels of the largest operating companies get together, and once a year a legal conference is organized for all in-house legal counsels, with the aim of sharing knowledge, and developing and improving standards. If we are affected by new laws and regulations (e.g., EU data protection regulation), project teams with Legal, Risk & Audit, IT staff, and other experts are formed to anticipate the effects, provide training, and ensure that proper processes and controls are embedded in our local organizations.	New laws bring administrative burden and risk to our clients, which creates an opportunity for new service offerings for us and establish ourselves as thought leaders. The new regulations require a critical review of existing training, systems, policies, and procedures to keep these processes and documents up to date and topical. Our knowledge of new legislation (e.g., staffing laws, EU data protection regulation) can be shared with our clients, strengthening our relationship with them.

Operational risks	Risk-mitigating actions	Related opportunities
Contract liability For contract liability, especially in Anglo-Saxon countries, clients ask us to take a greater share of the liability for our flex-workers while on their premises and under their supervision. Requirements from clients may vary, resulting in unique contract clauses. Accepting inappropriately high contractual liability could result in a client making a claim that would materially affect the Group's results.	Whenever possible, we work with standard contracts. In the case of non-standard terms, a cost-benefit analysis is carried out to determine whether projected revenue or profit levels are high enough to absorb the costs associated with the additional risks. The local legal department reviews the contract and the risk and reward assessment with management, after which management decides whether to accept the contract. In certain cases, additional approvals from the Executive Board are required, as set out in the contract liability policy. This risk mitigation is coupled with insurance. We focus on further improvement of our contract delivery models and contract management to ensure proper services delivery. In addition, periodic compliance reviews are being conducted.	Improvement in contract management and quality of services will add value for our clients by improving our service delivery models, performance and practices.
Information security, system development and integration, IT outsourcing The continuous integration of technology within and outside the business, and increased engagement of third-party IT vendors potentially expose us to high-level IT security risks. This could lead to a system outage, as well as leakages of candidate or employee personal data and company-sensitive information, which would pose significant financial and reputational risks.	We continuously strengthen IT controls and compliance by improving our IT control frameworks, including IT security and general IT controls. This is integrated in our information security policies. In addition, awareness activities are rolled out to increase employees' awareness of IT security risks. We perform IT audits to ensure our IT controls are up to date and effective in all our countries. For these audits, the scope and frameworks applied are periodically updated to align with the latest technological and organizational developments. Audits cover security penetration testing, access controls and segregation of duties, third-party reliance and assurance, and general IT controls. On a business process level, the effectiveness of automated controls is audited. In addition, continuous attention is given to significant IT projects and programs through reviews and audits.	Improvements in system security give us the opportunity to ensure data protection for all our candidates and clients, thus increasing the value of our service offering for them and enhancing our reputation.
Business continuity and data recovery Serious business disruption of IT systems could result in financial losses, fines, and damage to our reputation. For example, our business entails paying flex-workers on a weekly or monthly basis, and then billing these amounts to our clients. A problem with one of our IT systems for payrolling and billing could cause major business disruptions.	We have local IT systems in each country for payrolling and billing. This spreads our risks of an IT failure, which would be limited to one country or operating company. Per policy, on a country level, disaster recovery plans are in place or are being developed to address possible IT failures, and are tested at least once a year. Group IT has centralized the IT infrastructure with a professional IT service provider. This will also further improve business continuity and data recovery.	In several countries, we have shared service centers and we are initiating cloud infrastructure usage. Besides increased efficiency, this further improves the quality of business continuity planning by concentrating expertise, as well as resulting in cost reduction in the mid to long term.
Attraction and retention of talent People are our most important asset, and it is challenging to retain them in a competitive market. If we cannot attract and retain the right people, we could fail to achieve our objectives.	Retention rates are analyzed and reported by every operating company on a monthly basis. Our Great People Survey is carried out annually to monitor engagement levels at each operating company and each department. Timely action is taken by local and Group HR departments to investigate and address any negative trends. We provide training for the purposes of coaching and developing our people. In addition, we identify our future leaders and provide management development programs for those with high potential. Our reward systems, which are tailored to local market conditions, include bonuses and employee share purchase plans, among other things. We monitor our employer brand and initiate local programs to attract talent.	It is our rule to fill 80% of management positions through internal promotions. This increases the loyalty of our people. As a result, we will continue to have a pipeline of talent who understand our people, our candidates, clients, and our operations.

Financial & Reporting risks	Risk-mitigating activities	Related opportunities
Credit risk Some clients try to delay payment of invoices. An increase of just one day in the time taken to collect the receivable (days sales outstanding or DSO) leads to greater usage of operating working capital and increased interest costs.	Invoicing and credit control policies and best practices are included in our blueprints. Operating companies have an operating working capital charge included in their results, which highlights awareness throughout the Group of the cost of capital. DSO is a component of the budgets and performance targets of operating company management. In addition, a provision is made for all receivables older than 182 days. Compliance with the contract-to-cash blueprint is monitored by the Group Business Risk & Audit department. Further details on credit risk are provided in note 3 to the financial statements: 'Capital and financial risk management'. An improving economy generally reduces credit risk.	As more best practices are implemented across our operating companies in the contract-to-cash cycle, our approach to credit risk becomes more rigorous, resulting in a relatively low DSO and a correspondingly lower operating working capital need.

Compliance risks	Risk-mitigating actions	Related opportunities
Data protection laws and regulations Increased integration of business with technology in both front and back-offices, as well as recent and upcoming (European) legislative focus on personal data protection have increased the likelihood of litigation or regulatory action in the event of leakages of candidate or employee personal data and company-sensitive information. This poses significant financial and reputational risks.	Our Group Data Protection Policy has been localized for all operating companies. In 2015, a Data Protection Officer was appointed and a global program started to prepare our operations for the upcoming European General Data Protection Regulation, which is scheduled to come into force in 2018. This program is continuing and making good progress.	Improvement in system security gives us the opportunity to ensure data protection for all our candidates and clients, and so increase the value of our service offering for them.
Competition law compliance Our staff may breach competition law by intentionally or accidentally sharing information with competitors. This could result in material fines or penalties, or litigation with clients, which could harm our brand. On July 10, 2013, the French Competition Law Authorities started an investigation into Randstad France and a number of competitors. The investigation related to certain French operations and, in particular, activities concerning vendor- neutral platforms relating to HR outsourcing management are ongoing.	Training with regard to competition law compliance, our core values and our business principles forms an integral part of our onboarding program, and management needs to ensure that written acknowledgement is obtained that such training has been understood and compliance is observed. We encourage our employees to report any breaches they find through the misconduct reporting procedure. When developing new business models or concepts, our Legal department (and if necessary competition law experts) is consulted to ensure legal compliance. Randstad France is cooperating closely with the French Competition Law Authorities in relation to their investigation. Consistent with Randstad's core values and business principles, we seek to conduct our business in accordance with all applicable laws, and have invested considerable time and resources in improving competition controls and awareness in our French operation and in abiding by the commitments given to the authorities, following a previous investigation in France (which concluded in 2009). We are confident that the outcome of the present investigation will be positive.	
Tax and labor law compliance Complex and changing labor, tax and social security regulations could lead to a lack of clarity and errors in wage, social security and payroll tax compliance, leading to possible disputes, claims and fines.	The payroll calculation process and actual calculation is subject to an independent periodic review by Group Tax. Where labor legislation is unclear, we monitor market developments regarding similar cases, as well as reviewing our existing policies and procedures. Group Tax together with GBR&A perform regular payroll and payroll system audits in selected countries in order to review compliance with local laws and regulations.	In our payroll compliance audits, we also focus on identifying best practices to increase efficiencies in administering payroll taxes and social security.
Candidate screening Part of our services includes the screening of candidates as required by client contracts and local guidelines. If we fail to fulfill these requirements, we may face legal claims.	In the past, deficiencies in the screening of candidates were noted in various situations. In response, we tightened control in this area. Risk-based audits are carried out annually and candidate screening has become a permanent priority on the agenda of our operating companies.	We are continuously developing and sharing our best practices for candidate screening across the Group. Through our increasingly rigorous approach to such matters, we will be able to demonstrate to clients the consistently high quality of our candidates.

Emerging risks

While we focus on managing existing key risks, we are also keenly aware of imminent emerging risks (and opportunities) that can significantly impact us. For example, emerging technological developments pose risks we have incorporated in our Tech & Touch strategy. In addition, heightened political uncertainty could impact our fiscal and monetary policies, which we need to anticipate. Our local-for-local approach allows for timely adoption of new business models if necessary. Finally, large-scale involuntary migration could increase the pool of available talent, but also necessitates more stringent candidate screening. We need to show resilience to this risk by improving our internal processes.

Conclusions

The Executive Board is responsible for Randstad's Risk & Control framework and for reviewing its effectiveness. The framework, as described earlier, is designed to manage the risks that may prevent us from achieving our business objectives. However, the framework cannot provide full assurance that all material misstatements, cases of fraud, or violations of laws and regulations will be prevented. Future effectiveness of the framework is subject to the risk that the controls in place or the degree of compliance with the Group's policies and procedures may deteriorate.

In 2016, the Executive Board reviewed and analyzed the Strategic, Operational, Financial & Reporting, and Compliance risks to which the Group was exposed, and it regularly reviewed the design and operational effectiveness of the Randstad Risk & Control framework. The outcome of these reviews was shared with the Audit Committee and the Supervisory Board, and was discussed with our external auditor.

The Risk & Control framework should ensure consistent and reliable financial reporting, both internally and externally. Operating companies develop annual business plans and budgets, which are subject to amendment and approval by the Executive Board. Subsequently, the actual performance of the operating companies is measured against these business plans and budgets, and the results are discussed in regular review meetings between the operating company management and the responsible Executive Board member.

In accordance with best-practice provision II.1.4 of the Dutch Corporate Governance Code, we have assessed the design and operational effectiveness of our Risk & Control framework. Based on the activities performed during 2016, and in accordance with best-practice provision II.1.5, the Executive Board considers that, during 2016, the Risk & Control framework regarding the Financial & Reporting risks worked effectively, and that this provides reasonable assurance that the financial statements 2016 do not contain any material misstatements.

In accordance with the Dutch Financial Supervision Act, section 5.25c, the Executive Board declares that, to the best of its knowledge:

- The financial statements for 2016 provide, in accordance with IFRS as endorsed by the EU, a true and fair view of the consolidated assets, liabilities and financial position as at December 31, 2016, and of the 2016 consolidated income statement of Randstad Holding nv;
- The annual report provides a true and fair view of the situation as at December 31, 2016, and the state of affairs during the financial year 2016, together with a description of the principal risks faced by the Group.

Diemen, the Netherlands, February 13, 2017

The Executive Board,

Jacques van den Broek	Linda Galipeau
Robert Jan van de Kraats	Chris Heutink
François Béharel	

governance

Executive Board

Jacques van den Broek
(1960, Dutch)
CEO and Chair of the Executive Board

- Joined Randstad in 1988
- Appointed to the Executive Board in 2004
- Appointed as CEO and Chair of the Executive Board in 2014

Background
After graduating in law, Jacques van den Broek held a management position with an international trading company until he joined Randstad as a branch manager. Appointments followed as Regional Director in the Netherlands and, subsequently, as Marketing Director Randstad Europe. In 2002, he moved to Capac Inhouse Services as Managing Director, also taking on responsibility for Randstad in Denmark and Switzerland.

Responsibilities
Jacques van den Broek is responsible for Germany, Australia, New Zealand, China, Hong Kong, and Singapore & Malaysia. In addition, he is responsible for IT, Group Business Concept Development, HR, Marketing & Communications, and Public Affairs.

Robert Jan van de Kraats
(1960, Dutch)
CFO and Vice-Chair of the Executive Board

- Joined Randstad in 2001
- Appointed to the Executive Board in 2001
- Appointed as Vice-Chair of the Executive Board in 2006

Background
A certified auditor, Robert Jan van de Kraats began his career with one of the big four accountancy firms. In 1989, he joined an international technology group as Finance and IT Director for the Netherlands. He held various senior positions with an international credit insurance group from 1994, and in 1999 he was appointed CFO and member of its managing board. He joined Randstad in 2001 as CFO. He is also a member of the Board of Directors of OCI NV, a member of the Supervisory Board of Schiphol Group, and a member of the monitoring committee of the Dutch Corporate Governance Code.

Responsibilities
Robert Jan van de Kraats is responsible for Japan, India, Denmark, Sweden, and Norway and also for Group Finance & Accounting, Group Business Control, M&A, Tax, Treasury, Business Risk & Audit, Legal, and Investor Relations.

Chris Heutink
(1962, Dutch)

- Joined Randstad in 1991
- Appointed to the Executive Board in 2014

Background
Chris Heutink obtained a Master's degree in history. He started his career at Randstad as a consultant in the Netherlands. Various management positions followed until 2004, when he was promoted to become Managing Director of Randstad Poland. After moving back to the Netherlands in 2007, he became Director of Operations. In 2009, he was appointed Managing Director of Randstad Netherlands.

Responsibilities
Chris Heutink is responsible for all operations in the Netherlands (Randstad, Tempo-Team, and Yacht), Austria, Italy, Switzerland, and Eastern Europe (Poland, Turkey, Greece, Czech Republic, Hungary and Romania), as well as for Global Client Solutions.

Linda Galipeau
(1963, Canadian)

- Joined Randstad in 1995
- Appointed to the Executive Board in 2012

Background
Linda Galipeau received an MBA degree in marketing and managerial economics. After several years in the staffing industry, she joined Randstad in 1995 as district manager in the US. In 1997, she started the Canadian operations, and in 2008 she was appointed President of Randstad Staffing in the US.

Responsibilities
Linda Galipeau is responsible for the US, Canada, the UK, Ireland, Monster Worldwide, RiseSmart, and Sourceright.

François Béharel
(1970, French)

- Joined Randstad in 2008
- Appointed to the Executive Board in 2013

Background
With a Bachelor's degree in distribution management and commercialization techniques, François Béharel joined Vedior in 1999 as a Regional Manager. Following various promotions, he became CEO of Vedior France in May 2007. Following the acquisition by Randstad, he was appointed President and CEO of the newly combined Randstad Groupe France, and played a key role in the integration of its businesses.

Responsibilities
François Béharel is responsible for France, Spain, Portugal, Belgium & Luxembourg, Brazil, Argentina, Mexico, Chile, and Uruguay.

Supervisory Board

Wout Dekker
(1956, Dutch)
Chair of the Supervisory Board

- Member of the Supervisory Board since 2012
- Current term of office 2016–2020

Background
Wout Dekker is the former Chairman of the Executive Board and CEO of Nutreco N.V and the former Chairman of the Supervisory Board of Rabobank. He is Chairman of the Supervisory Board of the Princess Maxima Centre for Child Oncology.

Responsibilities
Wout Dekker is Co-Chair of the Remuneration and Nomination Committee (Nomination) and a member of the Audit Committee.

Jaap Winter
(1963, Dutch)
Vice-Chair of the Supervisory Board

- Member of the Supervisory Board since 2011
- Current term of office 2015–2019

Background
Jaap Winter is President of the Executive Board of Vrije Universiteit Amsterdam. Until December 2013, he was partner at law firm De Brauw Blackstone Westbroek. He is Professor of International Company Law at the University of Amsterdam. He was a member of the first Dutch Corporate Governance Committee and the European Corporate Governance Forum. He is a member of the Supervisory Board of Het Koninklijk Concertgebouw N.V. and Stichting Het Van Gogh Museum.

Responsibilities
Jaap Winter is Chair of the Strategy Committee and a member of the Audit Committee.

Giovanna Kampouri Monnas
(1955, Greek)

- Member of the Supervisory Board since 2006
- Current and final term of office 2014–2018

Background
Giovanna Kampouri Monnas is the former President of the international division and member of the Executive Committee of Joh. A. Benckiser GmbH. She is a Non-Executive Director of Puig S.L, Aptar Group Inc, Fondation Air France and Imerys SA. She is President of the Estia Agios Nikolaos Foundation in Germany and Greece.

Responsibilities
Giovanna Kampouri Monnas is Co-Chair of the Remuneration and Nomination Committee (Remuneration) and a member of the Strategy Committee.

Henri M.E.V. Giscard d'Estaing
(1956, French)

- Member of the Supervisory Board since 2008
- Current term of office 2016–2020

Background
Henri Giscard d'Estaing has been Chairman of the Board and CEO of Club Méditerranée SA since December 2002. Before joining Club Méditerranée in 1997, he held various management positions at Groupe Danone and Cofremca. He was formerly a member of the Supervisory Board of Vedior N.V. He is currently also a member of the Board of Directors of Groupe Casino Guichard-Perrachon SA.

Responsibilities
Henri Giscard d'Estaing is a member of the Strategy Committee.

Frank Dorjee
(1960, Dutch)

- Member of the Supervisory Board since 2014
- Current term of office 2014–2018

Background
Frank Dorjee was Chief Strategic Officer and member of the Board of Directors of Prysmian Spa from March 2011 until January 2014. Until its takeover by Prysmian Spa, he was CEO and Chairman of the Executive Board of Draka Holding NV from 2010 to 2011 and its CFO from 2004 until 2009. He is a member of the Supervisory Board of Koole BV and a member of the Board of Directors of YOFC.

Responsibilities
Frank Dorjee is Chair of the Audit Committee.

Barbara Borra
(1960, Italian)

- Member of the Supervisory Board since 2015
- Current term of office 2015–2019

Background
Barbara Borra is CEO for EMEA of Fontana Group. Before joining Fontana, she was with Whirlpool for 10 years, serving in different senior management positions and more recently as Vice-President of its Chinese operations. Before joining Whirlpool, she held a number of international roles in various countries at Rhodia, GE and Lev-O-Cal Company. She is a member of the Board of Directors of Italgas S.p.A.

Responsibilities
Barbara Borra is a member of the Remuneration and Nomination Committee.

Rudy Provoost
(1959, Belgian)

- Member of the Supervisory Board since 2015
- Current term of office 2015–2019

Background
Rudy Provoost is the former CEO and Chairman of the Board of Directors of the Rexel Group. Before joining the Rexel Group, he held various senior leadership and executive management positions at Royal Philips. He is a member of the Board of Directors of the Vlerick Leuven Gent Management School.

Responsibilities
Rudy Provoost is a member of the Strategy Committee.

report of the Supervisory Board

Introduction

2016 was an exciting year for Randstad, during which a number of key decisions were taken that will be crucial in the company's drive to transform itself, to stay relevant for clients and candidates in a fast evolving environment. A relatively large number of acquisitions were successfully realized, and Randstad made a significant step towards becoming market leader in Italy and Sweden. The acquisitions of Ausy and BMC will strengthen Randstad's presence in the European Professionals segment. The acquisition of Monster Worldwide is considered a potential game changer, and leadership is currently revitalizing the Monster platform to enable its technology to be used within the Group worldwide. Once completed, all these acquisitions will add approximately 10% to Group revenue. In addition, significant steps were made to roll out the digital strategy. Throughout the year, the Supervisory Board was closely involved in the discussions relating to these major decisions proposed by the Executive Board. With regard to Group strategy and development, alignment between the Boards is strong. There is open, in-depth discussion, encouraging mutual trust.

In this report, the Supervisory Board explains how it fulfilled all of these and other duties and responsibilities in 2016.

Composition, diversity and independence

The Supervisory Board currently comprises seven members: Wout Dekker (Chair), Jaap Winter (Vice-Chair), Barbara Borra, Frank Dorjee, Henri Giscard d'Estaing, Giovanna Kampouri Monnas, and Rudy Provoost (see the section Supervisory Board for their biographies). They have a diverse mix of knowledge, skills, and expertise, in line with the required profiles. The Supervisory Board aims to ensure that its members represent a good balance in terms of diversity (including nationality, gender, and area of expertise). The Supervisory Board also aims for at least one-third of its membership to meet the gender criteria, which are currently met and are taken into consideration for each vacancy.

The Supervisory Board attaches great importance to the independence of its members. As a rule, all members, with the exception of no more than one, should be independent in the sense of Article 1 of the Supervisory Board's by-laws. With the exception of Jaap Winter, who was appointed upon nomination by Randstad Beheer (the private shareholding company of Frits Goldschmeding, Randstad's founder and leading shareholder), all members are independent. They were not granted, nor do they possess, any Randstad shares, with the exception of Henri Giscard d'Estaing, who personally holds 450 shares in the company. In 2016, there was no actual or potential conflict of interest between Randstad and any Board member. In line with new legislation and as part of the

Diversity profile of the Supervisory Board

Name	Year of birth	Nationality	International experience	Financial expertise	Specific experience	Gender
Wout Dekker	1956	Dutch	yes	(CEO)	Nutrition	male
Barbara Borra	1960	Italian	yes		Home appliances	female
Frank Dorjee	1960	Dutch	yes	CFO	Cables	male
Henri Giscard d'Estaing	1956	French	yes	(CEO)	Tourism	male
Giovanna Kampouri Monnas	1955	Greek	yes		Consumer goods	female
Rudy Provoost	1959	Belgian	yes	(CEO)	Distribution	male
Jaap Winter	1963	Dutch	yes		Legal/Governance	male

Retirement and reappointment schedule

Name	Year appointed	Year of possible reappointment	Final term expires	Current number of SB positions including Randstad
Wout Dekker	2012	2020	2024	2 (2 Chair)
Barbara Borra	2015	2019	2027	2
Frank Dorjee	2014	2018	2026	3
Henri Giscard d'Estaing	2008	-	2020	2
Giovanna Kampouri Monnas	2006	-	2018	4
Rudy Provoost	2015	2019	2027	1
Jaap Winter	2015	2019	2023	1

key control framework of the company, members of the Supervisory Board (as well as the Executive Board) are required to annually state their related parties and transactions, if any, between these related parties and the company. It was confirmed that no related-party transactions occurred in 2016, except for those cases where members of the Supervisory Board have a management company which invoices their related director's fees to Randstad.

Induction, training and performance assessment

Ongoing education is an important part of good governance. New members of the Supervisory Board attend induction sessions at which they are informed on the financial, reporting, risk & audit, HR, marketing, legal, and governance-related affairs of the company. Members of the Supervisory Board regularly visit Randstad's operations to gain familiarity with senior operational and functional management, and to develop deeper knowledge of operations, opportunities, and challenges.

At a separate meeting, the Supervisory Board discussed its composition, its own performance, and that of its three committees. Contrary to the previous year, this self-assessment was not facilitated by an external advisor, as this is not considered necessary each year. Items assessed and subsequently discussed by the Supervisory Board included (1) team effectiveness, (2) interaction and dialogue, (3) content-related effectiveness, (4) relationship with the Executive Board, (5) effectiveness of the Committees, (6) effectiveness of the individual members, and (7) effectiveness of and engagement with the organization.

The Supervisory Board concluded that the large majority of these items were assessed positively. Team spirit is considered strong, encouraging mutual trust, open discussion, and clear understanding of each Board member's role. In 2016, good steps were made in further optimizing the balance, both with regard to the functioning of each Board and with regard to the Boards' mutual relationship. The effectiveness of the Committees of the Supervisory Board is good, although there is some scope for optimization. Some of the key findings and points for follow-up are:

- The Supervisory Board is growing in its advisory role, but further improvement could be realized through in-depth discussion and exchange of ideas about specific topics, strategic subjects, and dilemmas faced by the Executive Board.
- In both Boards, there is an ongoing need for ensuring diversity in terms of international influence and expertise.
- The Supervisory Board will design a more structured performance evaluation and feedback process for the individual members of the Executive Board and will pay more attention to leadership development and succession planning.

Supervisory and advisory activities in 2016

Meetings of the Supervisory Board and attendance

The Supervisory Board met nine times during 2016 (2015: 11 times), of which one meeting was held by conference call. Seven of these meetings were held jointly with the full Executive Board. The other two meetings were held without the Executive Board, but some were in part attended by the CEO. The latter two meetings were held to discuss Executive Board remuneration, the review of the related remuneration policy, the composition and assessment of the Executive Board, and the composition and assessment of the Supervisory Board. One of the meetings was attended by the external auditor to discuss the 2015 annual report and accounts.

Between meetings, the Chair of the Supervisory Board regularly maintained contact with the CEO and CFO. He also frequently met with Randstad's leading shareholder or his representative director. Individual Supervisory Board members set up meetings related to their membership of specific Committees or specific mandates.

In 2016, none of the members of the Supervisory Board were absent during any of the meetings. The attendance rate was 100%.

Topics discussed and agreed with the Supervisory Board

The Supervisory Board meets in any case each quarter one day before the publication of the quarterly results, when it discusses these results with the Executive Board, as well as related documents, such as the draft press release and the auditor's quarterly report on procedures performed. These results and related documents are first discussed by the Audit Committee prior to the Supervisory Board meeting.

In addition to the standard agenda items for meetings, such as the development of the financials and the business performance throughout the year, the Supervisory Board discussed the following topics with the Executive Board in 2016:

- Organizational changes and senior management appointments;
- Compliance with relevant rules and legislation, as well as developments in corporate governance;
- The assessment of strategic, operational, financial, and compliance risks, including Randstad's approach to risk and opportunity management, based on the quarterly report of Group Business Risk & Audit and the external auditor's quarterly report;
- The preparation, evaluation, and follow-up of the Annual General Meeting of Shareholders;
- Topics related to sustainability relevant to Randstad, including the corporate sustainability framework and related key drivers and key performance indicators;

- The draft and final revised Dutch corporate governance code;
- The views of analysts and investors, as well as changes in the shareholder structure and base; and
- The budget for 2017.

During the year, the Supervisory Board was closely and thoroughly involved in the decision-making process regarding a relatively large number of acquisitions: Proffice, Obiettivo Lavoro, Careo, twago, Monster Worldwide, Ausy and BMC. It also discussed the global outplacement strategy following the acquisition of RiseSmart in 2015. In its decision-making process relating to possible acquisitions, the Supervisory Board pays attention to a number of key items, notably the strategic rationale and how the acquisition fits in with the overall strategy, the outcome of the due diligence process, risks, valuation including synergies and pricing, leadership, and the proposed integration process.

At a separate meeting, the Supervisory Board discussed with the Executive Board the importance of purpose, culture, and core values within the company. The culture within Randstad is important to attract top talent and designed around connecting and celebrating, outperforming and measuring, and being the best place to work. Employee engagement and cultural fit are measured as part of the annual Great People Survey. The tone at the top is derived from the core values and embedded within the leadership style. The related behavior-focused management approach implies setting the example, transparency, clear and open communication, focus on integrity, and good governance.

To underline the importance of Randstad's business principles and the procedure for reporting misconduct, the Supervisory Board shares responsibility for these matters with the Executive Board. An assessment of the complaints reported under the misconduct reporting procedure is shared with the Audit Committee annually.

The Supervisory Board is frequently updated on developments in operating companies and markets. Senior management of the operations in the US and of Yacht Netherlands joined in 2016 to give an update on their markets. Every year, the Supervisory Board, jointly with the Executive Board, pays a two-day visit to the operations in a different country. Their joint visit to clients, branches, and Randstad's head office in France in December 2016 provided additional insight into the quality of local operations and management. Individual members of the Supervisory Board also paid visits to various businesses within Randstad on an ad-hoc basis.

Strategy discussion and strategic retreat

One of the Supervisory Board's main priorities is strategy. Accordingly, and following up on last year's strategic retreat, time was spent on in-depth discussions with the Executive Board about the overall strategy and the realization of the strategic targets. The Strategy Committee prepared and set the framework for these discussions.

During several meetings in 2016, much time was spent on discussing the digital strategy, the development of related digital concepts and solutions, the cross-functional and cross-country setup, as well as the synergies of the Monster Worldwide acquisition for Randstad's digital strategy.

A strategic retreat was organized in October 2016, during which the Supervisory Board and the Executive Board also discussed the above topics relating to the digital strategy, as well as a significant number of other relevant strategic topics, including:
- The allocation of global responsibilities amongst the EB members;
- The role of Group-wide functions, of which some are organized more globally than centrally, using strong local leadership;
- The outcome of the 2-year growth plan, which is based on the input from the operating companies;
- The strategy for the Professionals segment, which requires more focus on talent engagement and organizational alignment, and will accelerate in Europe through the acquisitions of Ausy and BMC; and
- A review of global strategic initiatives, such as relating to field and headcount steering, central sourcing, Randstad Sourceright, the reallocation of marketing spend, the implementation of a shared service center for global IT infrastructure, and cross-country procurement.

Supervisory Board Committee activities in 2016

The Supervisory Board has three Committees: the Audit Committee, the Remuneration and Nomination Committee, and the Strategy Committee. Their roles are described in more detail in the section corporate governance. They generate detailed information and prepare recommendations relating to their specific areas, while the full Supervisory Board retains overall responsibility. In each case, the Committee Chair reports the Committee's main considerations and findings to the full Supervisory Board, usually immediately after the relevant Committee meeting.

The composition of these Committees was as follows:

Audit Committee

Frank Dorjee (Chair), Wout Dekker, and Jaap Winter. The first two members in particular have relevant expertise in the field of financial management.

Remuneration and Nomination Committee

Giovanna Kampouri Monnas (Chair for remuneration), Wout Dekker (Chair for nomination), and Barbara Borra.

Strategy Committee

Jaap Winter (Chair), Henri Giscard d'Estaing, Giovanna Kampouri Monnas, and Rudy Provoost.

All Supervisory Board members have a standing invitation to attend meetings of Committees of which they are not a member, which they do attend on an ad-hoc basis.

Report of the Audit Committee

The Audit Committee assists the Supervisory Board in its responsibility to oversee Randstad's financing, financial statements, financial reporting process, and system of internal business controls, risk management and audit.

Five meetings were held in 2016 (2015: five). All meetings were attended by the CEO, the CFO, and the managing directors for Group Business Control, Group Accounting and Group Business Risk & Audit. The external auditor was also present. At least once a year, the Audit Committee discusses with the external auditor, without management being present, their assessment of Randstad's performance, as well as the collaboration with the Executive Board and the finance departments, including their functioning.

Each quarter, the Chair of the Audit Committee meets with the CFO and, separately with the managing directors of Group Business Control, Group Accounting and Group Business Risk & Audit, generally in preparation of the quarterly Audit Committee meeting. Also, when considered necessary, the Chair meets with the external auditor in advance.

At each meeting, the Audit Committee discusses the financial performance in much detail, as well as related items such as the draft press release, the external auditor's report with their quarterly observations, and the quarterly update from Group Business Risk & Audit which contains management self-assessments of risks and controls, audit results and progress and outcomes of fraud investigations.

In addition, the following topics were discussed during the year:

- An update on Group Treasury and Group Tax, mostly provided by the responsible managing director;
- An update on pensions;
- A report from the managing director Group Legal on operating companies' compliance with key policies, with special attention in 2016 to data protection and information/cyber security;
- The annual legal letter, listing material litigation (where potential liability exceeds € 1 million). Any cases with a potential liability exceeding € 2.5 million are promptly reported to the Audit Committee;
- The procedure for reporting misconduct, including the report of the central integrity officer summarizing the cases reported under this procedure;
- Changes of key people in the finance function in operating companies and at Group level;
- The annual talent and performance review of the finance function and its key people, including the World League Finance Program, whose aim is to develop the finance function, all finance staff and the finance organization throughout Randstad.

With regard to the external audit, the Audit Committee reviewed Deloitte's proposed audit plan relating to the audit scope (90% of Group revenue), approach, focus areas and fees (see note 28 to the financial statements). For the first year, BDO presented their audit of the local statutory accounts of 20 smaller countries. No material issues were noted by BDO.

The risk profile and in-control position of the Group was discussed multiple times in various ways and at least quarterly. This was done, for example at the start of the year, when approving and updating the audit plan which is based on Randstad's risk profile and the priorities for 2016. In December, the risk-based audit plan for 2017 was discussed.

In the second and fourth quarter, the Group's in-control situation was discussed more in detail, using the results of the risk assessments, key control framework and audits. This discussion addressed key risks taking into account the effectiveness of controls to mitigate these risks. Priorities for internal audits of local audit teams are set by the managing director Group Business Risk & Audit and discussed and agreed with the Executive Board and the Audit Committee. This semi-annual in-control evaluation process allows all Group companies to further develop controls using a maturity model. Further information can be found in the section risk & opportunity management.

The Group Business Risk & Audit department is adequately embedded within the organization by way of the Global Risk & Audit network, consisting of local internal auditors at operating company level. In 2016, the Audit Committee approved the updated Business Risk & Audit Charter, which confirms the direct access of the department's managing director to the Chair of the Audit Committee, and as such ensures objectivity, authority, and responsibility setting.

The Audit Committee assured itself of the independence of the external auditor and the non-audit services provided by the external auditor, in line with the relevant policy which was updated at year-end reflecting recent applicable legislation. The external auditor is now prohibited to perform any non-audit services for Randstad. Audit firm rotation is now set at every ten years, while the key partners engaged in the audit should rotate every five years.

The Audit Committee assessed the performance of the external auditor, based on a satisfaction survey conducted among all CFOs of the operating companies and key corporate finance people. As part of this annual evaluation process, the following items are taken into consideration: (1) the quality of the audit work, (2) the sufficiency and fulfillment of the audit engagement, (3) the quality of the auditor's reports, (4) the independence of the auditors, (5) the expertise and composition of the audit team, (6) the audit fee, and (7) quality control within the audit firm.

Report of the Strategy Committee

The Strategy Committee acts as a sparring partner for the Executive Board and contributes in depth to the preparation of the semi-annual discussion of Randstad's strategy with the full Supervisory Board. Each member has his own specific and extensive experience in strategy development and related processes. All meetings are attended by the full Executive Board.

In 2016, the Committee fully focused on the follow-up of the strategic retreat held in October 2015, and the preparation of the strategic retreat in October 2016 as elaborated on in detail above (Strategy discussion and strategic retreat).

Report of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee primarily makes recommendations regarding the remuneration (and the remuneration policy) of the Executive Board and the Supervisory Board. It is also tasked with advising on candidates to fill vacancies in both Boards. Each Committee member has specific expertise in the area of remuneration and HR-related issues.

The Committee met four times in the course of 2016 (2015: three). The CEO participated in part of the meetings. The Committee regularly made use of external advice, notably from Korn Ferry Hay Group and Towers Watson.

Remuneration-related topics

The Committee discussed the remuneration of the Executive Board, notably the setting and realization of the related performance targets. In the second half of 2016, the Committee, led by the remuneration Chair, Giovanna Kampouri Monnas with assistance from the Company Secretary, extensively assessed the full remuneration policy in more detail. Korn Ferry Hay Group, an independent strategic, human capital advisory firm, was commissioned to provide advice. The members of the Executive Board were requested to provide their views on the current remuneration policy as well as items for adjustment. The Committee advised the Supervisory Board to submit a proposal to the upcoming Annual General Meeting of Shareholders in March 2017 to slightly update the remuneration policy for the Executive Board. Further information can be found in the remuneration 2017 section in the remuneration report.

Nomination-related topics

The Committee discussed the annual assessment of the Executive Board and its individual members, succession planning and the annual performance review of the second layer leadership reporting to the Executive Board (all of whom are scheduled to meet and present to the Supervisory Board, if feasible), as well as high potentials. The Committee also discussed diversity-related topics. The Supervisory Board aims to ensure that both its own composition as well as the composition of the Executive Board represents a good balance in terms of diversity (including experience, gender, and nationality). The aim is that at least one-third of its members meet the criteria regarding gender. These gender criteria are currently being met for the Supervisory Board, but not yet for the Executive Board. Randstad's policy regarding diversity is described in the diversity and inclusion section of this annual report. A key factor in diversity is providing equal opportunities for women. The percentage of women in senior management positions amounted to 45.2% (2015: 46.4%) in 2016, which is close to our target of 50% in 2017. Diversity will continue to be an important consideration for all future nominations to the Boards.

Supervisory Board remuneration

The Annual General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. Their remuneration is a fixed annual allowance paid in monthly installments. It is not linked to the financial results of the company. Members of the Supervisory Board 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.

Allowances of Supervisory Board members

in €

	2016	2015
Supervisory Board		
Chair	110,000	110,000
Vice-Chair	90,000	90,000
Members	75,000	75,000
Audit Committee		
Chair	12,000	12,000
Members	8,000	8,000
Remuneration and Nomination Committee		
Chair	9,000	9,000
Members	7,000	7,000
Strategy Committee		
Chair	8,000	8,000
Members	6,000	6,000

The annual allowances were last determined by the Annual General Meeting of Shareholders held in 2012, while the annual Committee fees were last determined by the Annual General Meeting of Shareholders held in 2011. The annual allowances and Committee fees for the Chair and members of the Supervisory Board are shown in the table.

In addition, Supervisory Board members receive a fixed annual expense allowance of € 2,000 net for members and € 3,000 net for the Chair. Taking into consideration their significant effort and travel time, 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.

Report of the Annual General Meeting of Shareholders

At the Annual General Meeting of Shareholders, held on March 31, 2016, the CEO and the CFO gave an account of the general state of affairs at Randstad and its financial performance in 2015. The meeting adopted the 2015 financial statements and the dividend proposal. The members of the Executive Board were granted discharge of liability for their management, and the members of the Supervisory Board for their supervision thereof. Linda Galipeau and François Béharel were reappointed as members of the Executive Board. Henri Giscard d'Estaing and Wout Dekker were reappointed as members of the Supervisory Board. The meeting authorized the Executive Board to issue ordinary shares, limited to a maximum of 3% of the ordinary issued share capital for a period of 18 months, as well as to repurchase ordinary shares and cancel repurchased shares, limited to a maximum of 10% of the ordinary issued share capital for a period of 18 months. Sjoerd van Keulen was reappointed as Board member of Stichting Administratiekantoor Preferente Aandelen Randstad Holding. Deloitte Accountants B.V. in the Netherlands was appointed as external auditor for the financial year 2017.

Similar to the previous year, the Chair of the Audit Committee proactively elaborated on the work of the Audit Committee in 2015, the company's collaboration with the external auditor, and some specific items that were relevant in the past year:
- Developments in the field of personal data protection;
- Tax planning and compliance;
- Goodwill valuation, partly as a result of the annual goodwill impairment test, which, based on current insights and estimates, did not lead to impairment;
- The valuation of the position regarding deferred taxes, as described in detail in the financial statements;
- The CICE subsidies on low wages in France, which Randstad continued to receive in 2015;
- Some fraud-related matters, which were immaterial to Randstad.

The lead partner of Deloitte Accountants was given the floor to elaborate on the auditor's opinion. 2015 was Deloitte's first year as Randstad's auditor and much time was spent on becoming acquainted with Randstad's global organizations. Much time was also spent on assessing all relevant accounting positions, audit findings from prior years, and the audit environment, including the tone at the top, risk management, the internal control framework, and IT systems. This transition

"I can schedule my availability online"

work served as a basis for Deloitte's audit plan for 2015, which focused on (1) materiality, (2) scope, (3) internal control and IT systems, (4) key audit matters in the financial statements, and (5) the evaluation of the management report.

Financial statements for 2016

The financial statements for 2016 have been audited and provided with an unqualified opinion by Deloitte Accountants B.V. (see the auditor's report) and were extensively discussed with the auditors by the Audit Committee in the presence of the CEO and the CFO in February 2017. The full Supervisory Board then discussed them with the full Executive Board in the presence of the auditors. The Supervisory Board is of the opinion that the financial statements 2016 meet all requirements for correctness and transparency. During the year, the Audit Committee extensively discussed the Risk & Control framework that supports this. As such, the Supervisory Board recommends that the Annual General Meeting of Shareholders, to be held on March 30, 2017, adopt the financial statements and the appropriation of net income proposed by the Executive Board.

The Supervisory Board endorses the Executive Board's proposal to the Annual General Meeting of Shareholders to pay an all-cash dividend per ordinary share of € 1.89 for 2016 (€ 1.68 for 2015) and a cash dividend on preference shares B and C of € 12.6 million (€ 12.6 million for 2015).

The Supervisory Board requests that the Annual General Meeting of Shareholders grant discharge to the members of the Executive Board for their management and to the members of the Supervisory Board for their supervision in 2016.

In 2017, we hope to continue our solid performance of 2016, strengthened by the recent acquisitions. Randstad will further develop its digital strategy, while transforming the company. In the exciting journey that lies ahead, Randstad's people are at the heart of the company, as their touch continues to stand out. The Supervisory Board would like to thank all Randstad employees, under the strong leadership of the Executive Board, for their contribution and continuing dedication in 2016.

Diemen, the Netherlands, February 13, 2017

The Supervisory Board,

Wout Dekker, Chair
Jaap Winter, Vice-Chair
Barbara Borra
Frank Dorjee
Henri Giscard d'Estaing
Giovanna Kampouri Monnas
Rudy Provoost

remuneration report

The Remuneration and Nomination Committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy of the Executive Board. The Supervisory Board decides on its proposals and, in the event of material policy changes, submits these proposals to the Annual General Meeting of Shareholders for adoption.

Remuneration policy

The last update of the remuneration policy was adopted by the Annual General Meeting of Shareholders held on March 28, 2013.

The main objective of the remuneration policy is to attract, motivate, and retain qualified senior executives of the highest caliber, who have an international mindset and the background required for the successful leadership and effective management of a large global company. The members of the Executive Board are rewarded accordingly, and most of their remuneration is based on Randstad's performance. The remuneration structure for the Executive Board is therefore designed to balance short-term operational performance with the long-term objectives of the company and value creation for its stakeholders.

Remuneration levels are determined on the basis of a number of clear, transparent criteria, and reflect general as well as specific individual responsibilities in an international context. They are benchmarked against an international labor market peer group regarding fixed salary levels, and against an international performance peer group to establish relative performance:

- The international labor market peer group represents the market in which Randstad competes for senior management talent, and is used to benchmark fixed salary levels. It is composed of international staffing and business services companies, reflecting Randstad's international scope. They are Adecco SA, Rentokil Initial Plc, Capgemini SA, Atos Origin SA, Robert Half International Inc., CGI Group Inc., Manpower Inc, Kelly Services Inc., Michael Page International Plc, Hays Plc, TUI AG, G4S Plc, and Sodexo Group SA;
- The international performance peer group is used as a benchmark to establish relative performance in terms of Total Shareholder Return (TSR) for the payout of the long-term incentive plan. It reflects the market in which the company competes for shareholder preference. This group is composed solely of staffing companies, and can therefore be characterized as 'sector-specific'. It consists of Adecco SA, Kelly Services Inc., Trueblue Inc, Manpower Inc, Robert Half International Inc., USG People NV, Michael Page International Plc, Hays Plc, and Groupe Synergie SA. Following its acquisition by Recruit Holdings Co., Ltd., USG People NV was replaced by Recruit Holdings Co., Ltd. as of 2016.
- In addition, as an extra check, total compensation levels are benchmarked annually against a peer group of companies listed on the AEX index (consisting of large companies listed on Euronext Amsterdam).

Executive Board remuneration 2016

The remuneration of the Executive Board consists of three components:

1. Short-term compensation, consisting of a base salary and an annual cash bonus opportunity;
2. Long-term compensation, consisting of performance shares;
3. Pension and other benefits.

The variable portion of the total remuneration package is performance-related. It consists of short- and long-term components. For on-target performance, approximately half of the total compensation of a member of the Executive Board is performance-related. The Supervisory Board, on the recommendation of its Remuneration and Nomination Committee, sets the targets prior to each performance period. Performance targets and conditions are derived from Randstad's strategy, annual budget plan, and market analysis. An overview of the 2016 and comparable 2015 remuneration amounts is included in note 24 to the financial statements.

Short-term compensation

Base salary

In line with the relevant size and profile of Randstad, compared to the other companies included in the international labor market peer group, base salaries of the Executive Board members are set at between the median and 75% percentile level.

In line with the company's remuneration policy and confirmed by benchmarking carried out by Focus Orange, it was decided to increase the base salaries of the Executive Board members by 3.0% as of January 1, 2016. The general pay differentials within the company, and specifically of senior management, were taken into account when taking this decision.

Effective January 1, 2016, the base salary of Jacques van den Broek, CEO and Chairman of the Executive Board, was increased to € 1,000,000. This was the last step in a three-step salary increase following his appointment as CEO, and brought his salary at the median level of the international labor market peer group and group of companies listed on the AEX index.

Annual cash bonus opportunity

The total annual cash bonus opportunity amounts to 70% of base salary for on-target performance, and the maximum bonus level is 100% of base salary. If performance is below a pre-defined minimum level, no bonus will be paid out. In calculating the pro-rata bonus, a sliding scale between the minimum level and the maximum level is used. The Supervisory Board sets the targets at the beginning of each financial year upon recommendation of the Remuneration and Nomination Committee.

The framework for the annual cash bonus relates to:

- Gross profit, revenue or market share, with the bonus opportunity ranging from 10% for minimum performance, 15% for on-target performance, and 25% for maximum performance;
- EBITA or EPS realization, with the bonus opportunity ranging from 10% for minimum performance, 15% for on-target performance, and 25% for maximum performance;
- Leverage ratio, or efficiency of working capital (e.g., DSO or net debt), with the bonus opportunity ranging from 10% for minimum performance, 15% for on-target performance, and 25% for maximum performance;
- Individual targets, with a maximum of 15%;
- Additional bonus at the discretion of the Supervisory Board, with a maximum of 10%.

The actual targets for the Executive Board as a whole and the targets for individual Board members are not disclosed, as they qualify as information that is confidential and/or commercially and potentially share-price sensitive.

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 upwards or downwards. 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. This power was not used in 2016, nor was any remuneration recovered from present or former Executive Board members.

Based on the achievement of the shared targets as specified below and the individual targets for 2016, and using the discretionary space available to the Supervisory Board, the bonus entitlement with regard to the performance in 2016 as a percentage of annual base salary is specified as follows:

Annual bonus payout, 2016

2016 performance target	possible maximum	payout as % of annual base salary
Group revenue performance	25%	14%
Group EBITA margin	25%	10%
Net debt at year-end	25%	17%
Individual targets	15%	14%
Discretionary	10%	10%
	100%	**65%**

Long-term compensation

In order to align their own objectives with the value creation objectives of shareholders, performance shares are granted to the members of the Executive Board on an annual basis.

Due to their long-term nature, performance shares are inherently and significantly more open to market uncertainties than short-term compensation elements. Shares can become unconditional (i.e., may vest) depending solely on Randstad's TSR performance compared to the performance peer group, measured over a three-year period starting from January 1 of the year in which they are granted. The related payout range is as follows:

TSR payout range

Position 1	250%
Position 2	200%
Position 3	150%
Position 4	100%
Position 5	50%
Position 6	0%
Position 7	0%
Position 8	0%
Position 9	0%
Position 10	0%

The grant is divided into TSR-dependent (80%) and sustainability-related (20%). 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. 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. TSR performance for the companies of the international performance peer group is calculated based on their 'home/primary listing'. TSR data are compiled and reported by external data provider Towers Watson. Given the relevance of certain non-financial targets for Randstad's business, ambition, and long-term viability, five targets within Randstad's sustainability KPI framework are added at the discretion of the Supervisory Board. These targets are also set at the start of the three-year vesting period.

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 January 1. At the moment the performance shares are granted, their fair value assuming on-target performance is equal to an amount of 100% of the base salary for all Executive Board members alike. 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, will vest pro rata related to the performance period in service. The company offers no financing arrangements at grant or exercise of the options. 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 and Nomination Committee, the Supervisory Board analyzes the possible outcomes of the allocation.

On February 18, 2016 (the grant date under the relevant plan), a conditional grant of performance shares for on-target performance was made, based on 100% of the annual base salary per Executive Board member as at January 1, 2016, and on the fair value of the performance shares as at the same date of € 45.13 per share (TSR-dependent grant) and € 53.21 per share (non-financial/sustainability-related grant).

The conditional on-target awards for 2016 are as follows:

Conditional on-target awards, 2016

	Number of shares
Jacques van den Broek	21,486
Robert Jan van de Kraats	15,260
François Béharel	13,405
Linda Galipeau	13,405
Chris Heutink	13,405
	76,961

The non-financial performance targets for the 2016 grant are the following five targets from Randstad's sustainability KPI framework:

- Net Promoter Score (NPS): a Top 3 position or at least position improvement in the Top 12 countries over the performance period;
- Impact of initiatives with regard to guiding candidates from unemployment to employment;
- Employee engagement score: at least 80% participation and outperformance of the benchmark annually;
- Involvement with key forums;
- Environment: % electricity from sustainable sources: 50% in 2018 (2015: 29%).

At the end of the performance period 2016–2018, the Supervisory Board will have the discretion to determine the actual vesting based on progress made over the performance period as reported by the Executive Board in relation to each of these targets. Each target accounts for 50% vesting, the minimum vesting equals 0%, and the maximum vesting equals 250%, in line with the minimum and maximum opportunity for the TSR-dependent grant.

At the beginning of 2016, the performance shares and performance options that had been conditionally granted in February 2013 vested based on the relative TSR performance (80% of the allocation) over the period January 1, 2013, to December 31, 2015. Performance resulted in 100% vesting. The performance on the non-financial targets (20% of the allocation) over this period resulted in 200% vesting. The total payout ratio for both grants is 115%.

Pension and other benefits

Pension contribution

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 Netherlands-based members, this contribution includes compensation for limitations of accrual of pension rights as of 2016. For the France-based member, this contribution includes compensation to cover the health and long-term disability insurance, life insurance and any other pension scheme and certain social security charges. For the US-based member, this contribution includes compensation to cover the health and long-term disability insurance, life insurance, and contributions to the 401k plan or any other pension scheme. The company has no specific early retirement arrangements in place for Board members.

Other benefits

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

Loans

The company has issued no loans or guarantees to Executive Board members.

Severance

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

Executive service agreements

In line with the relevant regulation, Executive Board members have a four-year executive service agreement with the company, which supersedes any previous employment agreements.

Appointment terms

The members of the Executive Board appointed before 2005 were appointed for an indefinite period. The members of the Executive Board appointed since 2005 were appointed for a period of four years.

Supervisory Board remuneration 2016 and 2017

Information with regard to the remuneration of the Supervisory Board in 2016 is included in the section Report of the Supervisory Board. An overview of the 2016 and comparable 2015 remuneration amounts is included in note 24 to the financial statements.

The remuneration of the Supervisory Board, including its Committees, will remain unchanged in 2017.

Executive Board remuneration 2017

In line with the company's remuneration policy and confirmed by benchmarking carried out by Korn Ferry Hay Group, it was decided to increase the base salaries of the Executive Board members by 2.0% as of January 1, 2017, except for the CEO, whose salary was not increased but kept at the level agreed upon when he was appointed as CEO. The general pay differentials within the company, and specifically within senior management, were taken into account when taking this decision.

Remuneration policy review and proposal for amendment

The current remuneration policy for the Executive Board dates from the Annual General Meeting of Shareholders in 2013. In the past years, the Supervisory Board has monitored the International and Dutch developments in relation to corporate governance and remuneration, to ensure Randstad was always in line. In the second half of 2016, the Supervisory Board, particularly its Remuneration and Nomination Committee led by the Remuneration Chair with assistance from the Company Secretary, extensively assessed the full remuneration policy in detail. Korn Ferry Hay Group, an independent, strategic human capital advisory firm, was commissioned to provide advice. The members of the Executive Board were requested to provide their views on the current remuneration policy. The Committee took good notice of recent international developments and market practice regarding executive remuneration. When looking at market practice, the Committee particularly looked at the Netherlands, France and the US, given the profile of the current Executive Board. It also assessed the remuneration provisions in the new Dutch corporate governance code. The following objectives were formulated for adjustment of the new policy:

- Increase the focus of the Executive Board on long-term sustainable value creation of the Company;
- Align even more with the values and organizational aspirations of the Company;
- Correct some non-optimal items in the current policy and incorporate several recent remuneration policy trends.

After careful consideration and upon recommendation of the Remuneration and Nomination Committee, the Supervisory Board decided that the developments both within the company and in the Dutch and international governance framework required an update of the Randstad remuneration policy. The current proposal that will be submitted for approval by the Annual General Meeting of Shareholders on March 30, 2017, meets the aforementioned objectives by:

- Focusing the Company's performance on strategic short-term and long-term actions and outcomes;
- Privileging long-term versus the short-term;
- Encouraging share investment by the members of the Executive Board;
- Rewarding the Executive Board as a team rather than as individual members;
- Increasing the focus on results relative to market rather than absolute results;
- Further optimizing internal pay equities by aligning senior management's remuneration structure with the Executive Board's.

Subject to approval by the Annual General Meeting of Shareholders on March 30, 2017, the policy update will take effect as from the current financial year. The Executive Board will as much as possible align the remuneration of senior management with these amendments.

Below is the description and rationale of the proposed policy changes.

Base salaries

Base salaries of the Executive Board members are set between the median and 75% level of the international labor market peer group. We intend to keep this framework unchanged, which corresponds well with the international profile, size and dynamics of Randstad. The current base salaries of the members of the Executive Board are within our policy.

The current international labor market peer group, which is used to benchmark remuneration levels, is relatively small and there are only a limited number of direct peers with a comparable size and profile as Randstad available. In line with good market practice, we propose to extend the current peer group of 13 companies (Sodexo, Adecco Group, TUI, Capgemini, Manpower Group, Atos, CGI, G4S, Robert Half, Hays, Rentokil Initial, Kelly Services and Michael Page International) to 24 companies, adding Recruit Holdings Co, Compass Group, Hilton Worldwide, Tyco International, Capita, Equifax, Accor, Securitas, Bureau Veritas, Thomas Cook and Intertek Group.

As an additional check, the Committee annually benchmarks total compensation levels of the Executive Board versus the AEX peer group (excluding Royal Dutch Shell, Unilever, ArcelorMittal, Vopak, Galapagos and the financial services companies). We propose to continue this sanity check as a second benchmark.

Short-term incentives / annual bonus

As per the current policy, the total annual bonus opportunity continues to be 70% of base salary for on-target performance and the maximum bonus is 100% of base salary. If performance is below the predefined minimum targets, no bonus will be paid. The Supervisory Board sets the bonus targets at the beginning of each financial year, following the presentation of the business objectives and plans by the Executive Board.

We propose that the entire short term incentives (STI) will be based on joint team performance of the Executive Board to strengthen teamwork and focus on overall company goals. Both the current 15% bonus opportunity based on individual targets and the 10% discretionary bonus will be discontinued.

The largest part of the achievable annual bonus (75%) will continue to be related to a certain number of financial targets. In contrast to currently, the choice and weight of these targets will depend on the specific business objectives of each year, with the Supervisory Board selecting the appropriate annual targets from an agreed menu of financial targets. In addition to the targets used currently (revenue, gross profit, EBITA, EPS, net debt, leverage ratio and debtor days) we will include relative revenue performance versus the market and incremental conversion or recovery ratios. These two new measures are key to focus the company on growing profitably within the market.

To further underline joint responsibility, the Supervisory Board will set, at the start of each financial year, yearly strategic and operational objectives following a presentation by the Executive Board. This bonus opportunity will at maximum be 25% of base salary.

In order to enhance the Executive Board's long-term focus, 25% of the net annual bonus (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. Members of the Executive Board are allowed to voluntarily convert up to 50% of 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.

Long-term incentive

In the recent past, the Randstad strategy has evolved towards developing global concepts to drive our business performance, notably including the digitalization and the Professionals segments among others. At the same time, Randstad has reaffirmed the importance of our values and culture at the core of our practices.

Given the relevance of the Randstad values and the globalization of the business concepts to the company's long-term viability, the Supervisory Board believes that the weight of non-financial key performance indicators should be increased. It is proposed to increase it to 35% of total on-target LTI, up from 20% currently. The specific performance targets will reflect our long-term organizational and social challenges and will be derived from our strategic business plans and from the sustainability KPI framework upon discretion of the Supervisory Board.

For the non-financial measures, the Supervisory Board will determine the actual vesting based on progress made over the performance period as reported by the Executive Board in relation to each of these targets. The total vesting will continue to range between 0% and 250%.

Relative Total Shareholder Return (TSR) will continue to be the measure of long-term financial performance and long-term value creation. It is proposed to reduce its weight to 65% from currently 80% of on-target LTI to allow for the increase in the weight of non-financial KPIs above.

The international performance peer group is used to establish relative TSR performance. The current peer group only includes staffing/recruitment companies and includes 2 peers that operate primarily locally (Synergie and TrueBlue). We propose to delete these 2 peers, and extend the peer group from 10 to 19 companies, adding super-cyclical, asset light, business services companies (Capita, On Assignment, G4S, ISS, Compass Group, Rexel, Securitas, Office Depot, WW Grainger, Sodexo and Staples).

The related payout range will be changed as follows:

Payout per ranking position for the TSR performance incentive zone

Ranking	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1
Current %	-	-	-	-	-	-	-	-	-	0	0	0	0	0	50	100	150	200	250
Proposed %	0	0	0	0	0	0	0	0	0	50	75	100	100	125	150	150	175	200	200

All pay-out results and calculations will continue to be audited by our external auditor.

corporate governance

Principles

Sound corporate governance is a key component of Randstad's culture and is consistent with its core values. Randstad's corporate governance is supported by a strong focus on integrity, transparency, and clear and timely communication. Good governance and proper supervision are important prerequisites for generating and maintaining trust in Randstad and its management.

Randstad is incorporated and based in the Netherlands. As a result, Randstad's governance structure is based on the requirements of Dutch legislation, the company's Articles of Association, complemented by internal policies and procedures. Given the worldwide exposure of its businesses, the international context is of vital importance, and international developments are closely monitored.

Randstad has always sought to enhance its governance in line with the Dutch Corporate Governance Code ('the Code', which can be found at www.commissiecorporategovernance.nl) and international best practices. Any substantial changes in Randstad's corporate governance structure will be submitted to the Annual General Meeting of Shareholders.

Randstad has a two-tier board structure, requiring a well-managed relationship between the Executive Board and the Supervisory Board. The two Boards have specific responsibilities. The Supervisory Board oversees and advises the Executive Board in performing its management tasks and guides its general development, including the financial policies and corporate structure. The Supervisory Board has the employer role for the members of the Executive Board. In performing their duties, the members of the Supervisory Board are guided by the interests of Randstad and all its stakeholders. The role of the Supervisory Board has grown in recent years, and now requires Board members to play a more prominent and active role, thinking along with and advising the Executive Board on key matters, such as strategic processes, important operational decisions, organizational structure, and senior management development.

Corporate governance declaration

The Executive Board and the Supervisory Board, which are jointly responsible for the corporate governance structure of Randstad, are of the opinion that almost all of the principles and best-practice provisions of the Code are being applied. We strongly believe that these principles and provisions are consistent with our core values. This means that we do not merely take a 'box ticking' approach to compliance. As the Code is based on the 'apply or explain' principle, a very limited number of exceptions to the Code, which are deemed necessary in the interests of Randstad, have been explained to shareholders and are described in this report. This report also includes the information that needs to be disclosed in accordance with the corporate governance declaration as referred to in the relevant Dutch governmental decree.

Executive Board

Tasked with the overall management of Randstad, the Executive Board is accountable for developing and executing the strategy. The Executive Board is also responsible for the associated risk profile, financial controls, the development of results, and the resolution of corporate responsibility issues, while simultaneously respecting policies that have been set. The responsibility for the management of Randstad is vested collectively in the Executive Board. Each member has duties related to the specific area of responsibilities and expertise. The Company Secretary acts as secretary to the Executive Board.

The Supervisory Board is empowered to recommend to the Annual General Meeting of Shareholders candidates to be appointed to the Executive Board. The Supervisory Board determines the remuneration of the members of the Executive Board, in accordance with the remuneration policy adopted by the Annual General Meeting of Shareholders.

Since 2005, new board members have been appointed for a maximum term of four years. The division of tasks between the members of the Executive Board requires the approval of the Supervisory Board. Members need the prior approval of the Supervisory Board before they can take up a board position at another company. A member of the Executive Board may not be a member of the Supervisory Board of more than two listed companies or serve as Chair of the Supervisory Board of another listed company.

Supervisory Board

The Supervisory Board supervises and advises the Executive Board in performing its management tasks, sets the direction of the Randstad business and guides its general development, including the financial policies and corporate structure. It evaluates the strategy, development of results, operating model, and sustainability framework established under the Executive Board's management. Major management decisions, including those involving strategy, require the approval of the Supervisory Board. The Supervisory Board further supervises the structure and management of systems of internal business controls and the financial reporting process.

The Supervisory Board is empowered to recommend to the Annual General Meeting of Shareholders candidates to be appointed to the Supervisory Board. Such appointments are considered on the basis of a profile, taking into account the nature of Randstad's activities and the desired background and expertise of candidates. Diversity is an important criterion in order to establish a balance in nationality, gender, age, experience, and background of the individual members. The Supervisory Board aims for at least one-third of its membership to meet the diversity criteria. Members of the Supervisory Board should limit the number of Supervisory

Board memberships and other positions they may hold at listed and non-listed companies in such a way as to guarantee the proper performance of his or her duties, and may not hold more than five Supervisory Board memberships in Dutch companies or other large organizations, whereby a Chair counts as two memberships. Supervisory Board remuneration is determined by the Annual General Meeting of Shareholders and not linked to the company's results.

Randstad ensures that there are structured reporting lines to the Supervisory Board. The Supervisory Board meets regularly throughout the year, according to a pre-arranged schedule, both with and without the Executive Board and senior management. Through frequent informal consultation with and updates from the members of the Executive Board in between the meetings, the Supervisory Board remains well informed about the general state of affairs within Randstad. At the end of each year, the Supervisory Board extensively assesses the composition, performance, and functioning of the Executive Board and the Supervisory Board, as well as their individual members.

The Chair of the Supervisory Board ensures the proper functioning of the Board and its Committees, and acts as the main contact for the Executive Board. The Vice-Chair replaces the Chair when required, and acts as the contact for the other Board members on matters relating to the functioning of the Chair. The Company Secretary acts as secretary to the Supervisory Board.

Supervisory Board Committees

While the Supervisory Board retains overall responsibility for its functions, it assigns some of its tasks to three Committees: the Audit Committee, the Strategy Committee, and the Remuneration and Nomination Committee. Their advice and recommendations assist the Supervisory Board in its decision-making. All Supervisory Board members are, in principle, also members of at least one but no more than two Committees.

The Audit Committee assists the Supervisory Board in fulfilling its supervisory responsibilities for the integrity of the financial reporting process, the system of internal business controls and risk management, and the external audit process. The Committee assesses the audit plan and the scope and approach of the external auditor, and monitors progress and performance. The relationship with the external auditors is evaluated annually. Together with the Executive Board, the Audit Committee reviews quarterly and full-year financial statements, auditors' reports and the management letter. The internal risk and control framework and tax- and treasury-related activities are recurring topics. The Audit Committee may opt to meet separately with the external auditors to discuss the quality of financial reporting and cooperation with the finance departments.

The Strategy Committee acts as a sparring partner for the Executive Board and contributes in depth to the preparation of the annual discussion of Randstad's strategy with the full Supervisory Board.

The Remuneration and Nomination Committee makes recommendations regarding the remuneration policy for the Executive Board and the Supervisory Board, for adoption by the Annual General Meeting of Shareholders. The approved policy then forms the basis for the fixed and variable remuneration of the Executive Board. The Committee is also tasked with advising on candidates to fill vacancies in the Executive Board and Supervisory Board, evaluating the performance of both Boards and their members, reviewing the company's HR strategy and development of senior management, and ensuring long-term succession planning.

Board compliance

Both Boards, including the Committees of the Supervisory Board, have their own by-laws, which set rules regarding objectives, composition, responsibilities, and working methods. These by-laws are available on our corporate website.

Any conflict of interest between Randstad and a Board member should be avoided. Any actual or potential conflict of interest must be reported immediately to the other Board members and/or the Chair of the Supervisory Board. Any shareholding in the company must be for the purpose of long-term investment. Board members must at all times comply with the provisions contained in the Randstad insider dealing rules. These rules include, among other items, a policy that stipulates that dealings in Randstad shares and options by Board members should normally be restricted to the four weeks following the publication of quarterly financial results, provided that the person involved is not in possession of any inside information at that time.

Annual General Meeting of Shareholders

Important matters that require the approval of the (Annual) General Meeting of Shareholders are:
- Adoption of the annual accounts;
- Adoption of profit appropriation and additions to reserves;
- Dividends;
- Significant changes to the company's corporate governance;
- Remuneration policy of the Executive Board;
- Remuneration of the Supervisory Board;
- Discharge from liability of the Executive Board for its management;
- Discharge from liability of the Supervisory Board for its supervision of the management;
- Appointment of the external auditor;
- Appointment, suspension, or dismissal of the members of the Executive Board and the Supervisory Board;

- Authorization to purchase, issue, or sell shares in the Group's capital;
- Adoption of amendments to the Articles of Association.

Further details about the proposals that the Executive Board or the Supervisory Board can submit to the meeting and the procedure according to which shareholders themselves can submit matters for consideration by the meeting are specified in the company's Articles of Association.

The Annual General Meeting of Shareholders, which is normally held at the end of March or in early April, is broadcast live by audio webcast via our corporate website. As specified in the notice for the meeting, voting instructions (anonymous if desired) can be given to an independent third party in advance of the meeting. Within three months of the meeting, the draft minutes of the meeting are made available for three months for comments. The definitive minutes are published on our corporate website.

Voting rights

The issued share capital of Randstad currently consists of 183.0 million ordinary shares, 25.2 million preference shares B, 14.6 million preference shares C1, and 35.6 million preference shares C2. The ordinary shares have equal voting rights ('one share, one vote'). The voting rights on the preference shares are aligned with the capital contribution upon issuance. Effective at a Shareholders' meeting, the voting rights on the preference shares B are 3.6 million, and the voting rights on the preference shares C are 5.6 million.

The foundation Stichting Administratiekantoor Preferente Aandelen Randstad Holding holds the preference shares B and C. The foundation's Board consists of Bas Kortmann (Chair), Stépan Breedveld, and Sjoerd van Keulen. The Board members are fully independent. The foundation's Articles of Association were compiled in accordance with Annex X, Euronext Amsterdam Rule Book, Book II. Depository receipts issued by the foundation are held by, among others, Nationale Nederlanden NV, ASR NV, Richmond, and Randstad Beheer BV. Although the voting rights attached to the preference shares are vested in the foundation, each depositary receipt holder can ask for a proxy to exercise the voting rights underlying his or her depositary receipts during a Shareholders' Meeting.

Randstad may issue preference shares A to a legal entity charged with safeguarding the company's interests and preventing influences that may threaten its continuity, independence, or identity. To date, no such shares have been issued. Resolutions for such an issue would require the cooperation of the Annual General Meeting of Shareholders.

As at December 31, 2016, the holders of approximately 95.8% of ordinary shares have been able to make unrestricted use of their voting rights. The other 4.2% of ordinary shares have been converted into depository receipts. A foundation, Stichting Administratiekantoor Randstad Optiefonds, holds those shares, in which the attached voting rights are vested. The depository receipts issued by Stichting Administratiekantoor Randstad Optiefonds are fully exchangeable into ordinary shares, and are held by Stichting Randstad Optiefonds. Frits Goldschmeding, the company's founder, is the sole Board member of Stichting Administratiekantoor Randstad Optiefonds.

Internal risk management and control systems

A detailed description of Randstad's Risk & Control framework, including a description of the most important risk management and control systems, is given in the section 'Risk & opportunity management'.

Exceptions to the Code

Randstad applies all relevant provisions of the (updated) Dutch Corporate Governance Code, with the following exceptions.

II.1.1 A Management Board member is appointed for a maximum period of four years.
The members of the Executive Board appointed before 2005 were appointed for an indefinite period. Those appointed since 2005, including the CEO, have been appointed for a period of four years.

II.2.5 Shares granted to Management Board members without financial consideration shall be retained for a period of at least five years.
The long-term incentive for the Executive Board is paid in performance shares, which vest after three years. Performance shares need to be retained for at least two more years. We believe this five-year term sufficiently enhances shareholder alignment and is in line with the long-term nature of the incentive. However, Randstad also believes that share sales should be allowed earlier to the extent necessary to settle any related tax liabilities.

III.5 If the Supervisory Board comprises more than four members, it should designate a Remuneration Committee and a Selection and Appointment Committee.
As it felt that issues related to selection, appointment, and remuneration are interlinked, the Supervisory Board decided that all these activities should be dealt with by one Committee: the Remuneration and Nomination Committee.

Legal transparency obligations

The information that needs to be disclosed under Article 10, Takeover Directive Decree, and section 391, sub-section 5, book 2 of the Dutch Civil Code is available in various sections of this annual report. In this section, we provide additional information or indicate where the information can be found.

a. Capital structure and attached rights and duties

An overview of the company's capital structure, voting rights and dividend policy is provided in the section 'Investor relations & share performance' of this annual report.

b. Statutory or contractual restrictions on share transfers

Approximately 32.2% of the total share capital (3.0% ordinary shares, 9.8% preference shares B, and 19.4% of preference shares C) has been converted into depository receipts (see section Voting rights). The transfer of depositary receipts of preference shares requires the approval of the Executive Board and the Supervisory Board.

c. Major shareholders

Shareholders are obliged to give notice of interests exceeding certain thresholds to the Netherlands Authority for the Financial Markets (AFM). Almost all the holdings listed below are a combination of (depositary receipts of) ordinary shares and (depositary receipts of) preference shares. All transactions between Randstad and holders of at least 10% of the total number of shares are agreed on terms that are customary in the sector concerned. (See the section on Related-party transactions in the financial statements). This means that best-practice provision III.6.4 of the Dutch Corporate Governance Code has been observed.

Major shareholders

	2016	2015
F.J.D. Goldschmeding	30%-40%	30%-40%
Stichting Administratiekantoor Preferente Aandelen Randstad Holding [1]	25%-30%	25%-30%
NN Group[1]	10%-15%	10%-15%
ASR[1]	5%-10%	5%-10%
Richmond[1]	5%-10%	5%-10%
Stichting Randstad Optiefonds	3%-5%	3%-5%
Stichting Administratiekantoor Randstad Optiefonds	3%-5%	3%-5%
Blackrock Inc	0%	3%-5%
Capital	0%	3%-5%

1 Mainly based on preference shares.

d. Special rights of control

The company has not issued special rights of control to specific shares or shareholders. Preference shares A can be issued, but only with the approval of the Annual General Meeting of Shareholders.

e. Control mechanisms relating to option plans, share plans, and share purchase plans

The following share-based payment arrangements are in effect: a performance stock option plan for the Executive Board, two performance share plans (one for the Executive Board members and one for senior management), and a share purchase plan for all corporate employees. The relevant characteristics of these plans can be found in the notes to share-based payments.

f. Voting limitations

Holders of depository receipts of ordinary shares have no voting rights.

g. Agreements with shareholders that can limit the transfer of shares or voting rights

In February 2016, Randstad signed a continuity agreement with its founder Frits Goldschmeding through his private holding company Randstad Beheer, replacing the previous agreement from 2007. The new agreement relates to the creation of a future-proof structure, independent of the life and involvement of individuals. This means Randstad Beheer is committed to Randstad for the long term, safeguarding the heritage and spirit of Frits Goldschmeding and the values bestowed on the company, now and in the future.

As a result of an amendment to its Articles of Association, the purpose of Randstad Beheer will be to safeguard the continuity of its shareholding for the longer term, its strategic position and to promote the sustainable success and development of Randstad. This is in line with the current modus operandi. The long-term involvement of Randstad Beheer is reflected by its right to one seat on Randstad’s Supervisory Board, provided Randstad Beheer holds a stake in Randstad Holding of at least 25% (which is currently the case).

As the 2007 agreement included a notice period for possible changes, the new continuity agreement also includes an arrangement that ensures a careful consultation process if Randstad Beheer at some point considers to amend the purpose of its Articles of Association and if Randstad Beheer's voting rights in Randstad Holding are at that point at least 25%. In the event Randstad Beheer decides to amend its purpose at the end of that process, Randstad Beheer and Randstad Holding will reasonably consult on the new situation and the potential reduction of Randstad Beheer's shareholding in Randstad, and Randstad Holding will assist in such reduction if and when it occurs.

In line with the intent of the previous agreement, the new agreement ensures that, if Randstad Beheer's voting rights fall below 25% or it has the intention to do so, Randstad Holding and Randstad Beheer will discuss potential consequences for Randstad Holding's governance aimed at safeguarding

Randstad's development, continuity and strategic position in the new share ownership structure.

h. Regulations concerning the appointment and dismissal of Board members and changes to the Articles of Association

Members of the Executive Board and Supervisory Board are appointed by, and may at any time be suspended or dismissed by, the Annual General Meeting of Shareholders. A Supervisory Board member is eligible for reappointment twice. Resolutions with respect to appointment and dismissal are passed by an absolute majority of the votes cast. If an amendment to the Articles of Association is proposed to the Annual General Meeting of Shareholders, this is always stated in the convening notice for that meeting. A copy of the proposal, containing the verbatim text of the proposed amendment, is simultaneously deposited at the company's head office, for perusal by every shareholder, as well as by every holder of depository receipts, until the end of the meeting. Copies are made available free of charge. Amendments to the Articles of Association involving changes to the special rights accruing to the holders of preference shares require the approval of the holders of preference shares concerned at the meeting.

i. Authority of the Executive Board, especially to issue and repurchase shares in the company

Subject to the approval of the Supervisory Board, the Executive Board is authorized to issue shares, grant subscription rights, and restrict or exclude pre-emptive rights for holders of ordinary shares until September 30, 2017, for an annual maximum of 3% of the issued share capital of the company. This issuance will mainly be for the purposes of the performance stock option and share plans pertaining to the Executive Board and senior management. The Executive Board is also authorized, subject to the approval of the Supervisory Board, to repurchase shares until September 30, 2017, for an annual maximum of 10% of the issued share capital of the company. The repurchase will mainly be for the purposes of the performance share plans pertaining to the Executive Board and senior management.

j. Change of control arrangements

Change of control provisions have been included in the company's revolving syndicated credit facility, as well as the company's performance share and option plans for the Executive Board and senior management, and the share purchase plan for corporate employees.

k. Agreements with Board members or employees

The severance payment for all members of the Executive Board has been set at a maximum of one annual base salary in addition to the notice period of 12 months.

financial statements

contents

consolidated statement of comprehensive income

The notes on pages 117 to 159 are an integral part of these consolidated financial statements.

in millions of €	Note	Page	2016	2015
Revenue	4.4	131	**20,684.1**	**19,219.2**
Cost of services	8.1	138	16,749.9	15,624.7
Gross profit	5.1	133	**3,934.2**	**3,594.5**
Selling expenses	8.2	138	2,092.6	1,922.4
Amortization and impairment of acquisition-related intangible assets and goodwill	8.4	139	101.4	127.3
Other general and administrative expenses	8.2	138	949.6	840.1
General and administrative expenses			**1,051.0**	**967.4**
Total operating expenses	8.2	138	**3,143.6**	**2,889.8**
Operating profit	5.1	133	**790.6**	**704.7**
Finance income	10	139	18.8	8.5
Finance expenses	10	139	(22.6)	(37.6)
Net finance costs	10	139	**(3.8)**	**(29.1)**
Share in profit and result on disposal of associates	17	145	(0.8)	6.8
Income before taxes			**786.0**	**682.4**
Taxes on income	4.3	129	(197.8)	(163.6)
Net income	11	140	**588.2**	**518.8**
Items that may be reclassified subsequently to the income statement	*12*	*140*	*16.5*	*150.1*
Items that will not be reclassified to the income statement	*12*	*140*	*(6.5)*	*(0.6)*
Total other comprehensive income, net of taxes	12	140	**10.0**	**149.5**
Total comprehensive income			**598.2**	**668.3**
Net income attributable to:				
Holders of ordinary shares of Randstad Holding nv			575.4	506.2
Holders of preference shares of Randstad Holding nv			12.6	12.6
Equity holders			**588.0**	**518.8**
Non-controlling interests			0.2	0.0
Net income			**588.2**	**518.8**
Earnings per share attributable to the holders of ordinary shares of Randstad Holding nv (expressed in € per ordinary share)				
Basic earnings per ordinary share (€)	7	137	3.15	2.79
Diluted earnings per ordinary share (€)	7	137	3.13	2.76
Total comprehensive income attributable to:				
Holders of ordinary shares of Randstad Holding nv			*585.4*	*655.7*
Holders of preference shares of Randstad Holding nv			*12.6*	*12.6*
Equity holders			**598.0**	**668.3**
Non-controlling interests			*0.2*	*0.0*
Total comprehensive income			**598.2**	**668.3**

consolidated balance sheet at December 31

The notes on pages 117 to 159 are an integral part of these consolidated financial statements.

in millions of €	Note	Page	2016	2015
ASSETS				
Property, plant and equipment	13	141	165.3	124.9
Software	14	142	67.2	45.8
Goodwill	4.1	123	2,933.1	2,494.8
Acquisition-related intangible assets	15	143	353.2	108.5
Intangible assets			**3,353.5**	**2,649.1**
Deferred income tax assets	4.3	129	520.2	531.5
Financial assets	16	144	435.6	376.1
Associates	17	145	19.1	-
Non-current assets			**4,493.7**	**3,681.6**
Trade and other receivables	3.2	118	4,174.2	3,435.7
Income tax receivables	4.3	129	72.2	58.0
Cash and cash equivalents	3.2	118	385.8	133.5
Current assets			**4,632.2**	**3,627.2**
TOTAL ASSETS	5.2	134	**9,125.9**	**7,308.8**
EQUITY AND LIABILITIES				
Issued capital			25.8	25.8
Share premium			2,270.7	2,270.5
Reserves			1,255.6	1,046.6
Net income for the year			588.0	518.8
Shareholders' equity	19.1	146	**4,140.1**	**3,861.7**
Non-controlling interests	19.3	147	0.7	0.0
Total equity			**4,140.8**	**3,861.7**
Borrowings	3.2	118	699.2	124.6
Deferred income tax liabilities	4.3	129	42.2	35.9
Provisions	4.2	126	75.3	71.6
Employee benefit obligations	4.2	126	119.1	94.9
Other liabilities	20	148	12.6	14.5
Non-current liabilities			**948.4**	**341.5**
Borrowings	3.2	118	480.0	182.1
Trade and other payables	18	146	3,397.5	2,811.9
Income tax liabilities	4.3	129	70.6	36.8
Provisions	4.2	126	68.7	55.4
Employee benefit obligations	4.2	126	13.2	12.4
Other liabilities	20	148	6.7	7.0
Current liabilities			**4,036.7**	**3,105.6**
Liabilities			**4,985.1**	**3,447.1**
TOTAL EQUITY AND LIABILITIES			**9,125.9**	**7,308.8**

consolidated statement of cash flows

The notes on pages 117 to 159 are an integral part of these consolidated financial statements.

in millions of €	Note	Page	2016	2015
Operating profit			**790.6**	**704.7**
Amortization and impairment of acquisition-related intangible assets	8.4		101.4	127.3
Operating profit before amortization and impairment of acquisition-related intangible assets and goodwill (EBITA)	**5.1**		**892.0**	**832.0**
Depreciation and impairment of property, plant and equipment	8.3		50.0	45.5
Amortization and impairment of software	8.3		24.1	19.2
Operating profit before depreciation, amortization and impairment (EBITDA)	**5.1**		**966.1**	**896.7**
Provisions	4.2		(7.9)	(27.8)
Employee benefit obligations	25		7.7	(4.6)
Share-based compensations	23.4		31.3	29.1
Loss on disposals of property, plant and equipment	13		0.2	0.3
Gain on disposal of activities	6.2		0.0	(1.6)
Other non-cash items	21.4		(108.4)	(99.2)
Cash flow from operations before operating working capital and income taxes			**889.0**	**792.9**
Trade and other receivables	21.2		(366.4)	(270.6)
Trade and other payables	21.3		196.9	148.7
Operating working capital			**(169.5)**	**(121.9)**
Corporate income taxes	21.5		(159.8)	(105.4)
Net cash flow from operating activities			**559.7**	**565.6**
Additions to property, plant and equipment	13		(62.3)	(42.0)
Additions to software	14		(34.9)	(25.2)
Acquisition of subsidiaries	6.1		(571.8)	(89.0)
Acquisition of equity investments	16.2		(9.3)	(7.4)
Loans and receivables	16.1		(1.1)	(3.8)
Acquisition of associates	17		(0.3)	-
Disposals of property, plant and equipment	13		3.2	4.2
Disposal of subsidiaries/activities	6.2		0.7	4.1
Disposal of associates	17		-	8.4
Net cash flow from investing activities			**(675.8)**	**(150.7)**
Issue of new ordinary shares	19.1		0.1	4.2
Purchase of own ordinary shares	19.1		(35.8)	(58.3)
Drawings on / (repayments of) syndicated loan	3.2		552.9	(212.1)
(Repayments of) other non-current borrowings	3.2		(87.4)	-
Net financing			**429.8**	**(266.2)**
Finance income	10		3.2	3.9
Finance expenses	10		(15.0)	(13.0)
Dividend on ordinary shares	19.2		(307.2)	(81.5)
Dividend on preference shares	19.2		(12.6)	(12.6)
Net reimbursement to financiers			**(331.6)**	**(103.2)**
Net cash flow from financing activities			**98.2**	**(369.4)**
Net (decrease) / net increase in cash, cash equivalents and current borrowings			**(17.9)**	**45.5**
Cash, cash equivalents and current borrowings at January 1	**21.1**		**(48.6)**	**(107.0)**
Net movement in cash, cash equivalents and current borrowings			(17.9)	45.5
Translation and currency gains			13.7	12.9
Cash, cash equivalents and current borrowings at December 31	**21.1**		**(52.8)**	**(48.6)**
Free cash flow	**21.6**		**464.6**	**498.8**

consolidated statement of changes in equity

The notes on pages 117 to 159 are an integral part of these consolidated financial statements.

in millions of €	Issued capital	Share premium	Reserves [1]					Net income	Shareholders' equity	Non-controlling interests	Total equity
			Treasury shares	Translation and other [2]	Share-based payments	Employee benefits	Retained earnings				
Balance at January 1, 2016	**25.8**	**2,270.5**	**(47.5)**	**205.1**	**50.4**	**(40.6)**	**879.2**	**518.8**	**3,861.7**	**0.0**	**3,861.7**
Net income	-	-	-	-	-	-	-	588.0	588.0	0.2	588.2
Total other comprehensive income	-	-	-	16.5	-	(6.5)	-	-	10.0	0.0	10.0
Total comprehensive income	**-**	**-**	**-**	**16.5**	**-**	**(6.5)**	**-**	**588.0**	**598.0**	**0.2**	**598.2**
Transactions with owners:											
Dividend 2015 on ordinary shares	-	-	-	-	-	-	199.0	(506.2)	(307.2)	-	(307.2)
Dividend 2015 on preference shares	-	-	-	-	-	-	-	(12.6)	(12.6)	-	(12.6)
Purchase of own ordinary shares	-	-	(35.8)	-	-	-	-	-	(35.8)	-	(35.8)
Share-based compensations:	-	-	-	-	-	-	-	-	-	-	-
- fair value of vesting rights	-	-	-	-	31.3	-	-	-	31.3	-	31.3
- stock options exercised (on newly issued shares)	0.0	0.2	-	-	(0.1)	-	0.0	-	0.1	-	0.1
- performance shares issued	-	-	54.6	-	(27.4)	-	(27.2)	-	-	-	-
- taxes on share-based compensations	-	-	-	-	-	-	4.7	-	4.7	-	4.7
Total transactions with owners	**0.0**	**0.2**	**18.8**	**-**	**3.8**	**-**	**176.5**	**(518.8)**	**(319.5)**	**-**	**(319.5)**
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	0.6	0.6
Disposal of non-controlling interests	-	-	-	-	-	-	(0.1)	-	(0.1)	(0.1)	(0.2)
Balance at December 31, 2016	**25.8**	**2,270.7**	**(28.7)**	**221.6**	**54.2**	**(47.1)**	**1,055.6**	**588.0**	**4,140.1**	**0.7**	**4,140.8**
Balance at January 1, 2015	**25.5**	**2,261.1**	**(13.0)**	**55.0**	**56.9**	**(40.0)**	**627.5**	**340.1**	**3,313.1**	**0.0**	**3,313.1**
Net income	-	-	-	-	-	-	-	518.8	518.8	0.0	518.8
Total other comprehensive income	-	-	-	150.1	-	(0.6)	-	-	149.5	0.0	149.5
Total comprehensive income	**-**	**-**	**-**	**150.1**	**-**	**(0.6)**	**-**	**518.8**	**668.3**	**0.0**	**668.3**
Transactions with owners:											
Dividend 2014 on ordinary shares	0.3	(0.4)	-	-	-	-	246.1	(327.5)	(81.5)	-	(81.5)
Dividend 2014 on preference shares	-	-	-	-	-	-	-	(12.6)	(12.6)	-	(12.6)
Purchase of own ordinary shares	-	-	(58.3)	-	-	-	-	-	(58.3)	-	(58.3)
Share-based compensations:											
- fair value of vesting rights	-	-	-	-	29.1	-	-	-	29.1	-	29.1
- stock options exercised (on newly issued shares)	0.0	9.8	-	-	(2.7)	-	(2.9)	-	4.2	-	4.2
- performance shares issued	-	-	23.8	-	(32.9)	-	9.1	-	-	-	-
- taxes on share-based compensations	-	-	-	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Total transactions with owners	**0.3**	**9.4**	**(34.5)**	**-**	**(6.5)**	**-**	**251.7**	**(340.1)**	**(119.7)**	**-**	**(119.7)**
Balance at December 31, 2015	**25.8**	**2,270.5**	**(47.5)**	**205.1**	**50.4**	**(40.6)**	**879.2**	**518.8**	**3,861.7**	**0.0**	**3,861.7**

1 The total of the various items included under 'reserves' within shareholders' equity as at December 31, 2016 is € 1,255.6 million (December 31, 2015: € 1,046.6 million). Additional information with respect to equity is given in note 19.

2 As at December 31, 2016, this reserve includes € 0,9 million (December 31, 2015: € 0,6 million) in respect of 'fair-value through other comprehensive income' -investments. For presentation purposes in this statement of changes in equity, we have changed comparative figures (from inclusion in 'Employee benefits' to inclusion in 'Translation').

main notes to the consolidated financial statements

(in millions of €, unless otherwise indicated)

1. General information

Randstad Holding nv is a public limited liability company incorporated and domiciled in the Netherlands and listed on Euronext Amsterdam. The registered office of the company is in Amsterdam. The address of the company is Diemermere 25, 1112 TC Diemen, The Netherlands.

The consolidated financial statements of Randstad Holding nv include the company and its subsidiaries (together called the 'Group').

See note 22 for an overview of the major subsidiaries and IFRS consolidation policies.

1.1 Activities

Randstad specializes in solutions in the field of flexible work and human resources services. Our services comprise temporary staffing and permanent placements. We also offer on-site workforce management, as well as other HR services, such as payroll services, outplacement, and job posting and résumé services on digital platforms.

1.2 Date of authorization of issue

The financial statements were signed and authorized for issue by the Executive Board and Supervisory Board on February 13, 2017. The adoption of the financial statements and the adoption of the dividend are reserved for the shareholders in the Annual General Meeting of Shareholders (AGM) on March 30, 2017.

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out separately below or explained in the respective notes to these financial statements. These policies have been consistently applied to the periods presented.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRS IC interpretations (IFRIC), as adopted by the European Union (hereinafter IFRS) and in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code.

In 2016, a number of new standards as well as amendments to and interpretations of existing IFRS standards became effective. These new standards, amendments and interpretations, as far as they are relevant to the Group, have no impact on the valuation and classification of assets and liabilities of the Group, nor on its income statement or cash flows.

In 2016 and before, various other new standards, as well as amendments to and interpretations of existing IFRS standards were published for application in accounting periods beginning on or after January 1, 2017. As far as these standards, amendments, and interpretations are applicable to the Group, the Group has decided not to opt for early adoption. These new standards, amendments and interpretations, including IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers', are expected to have no material impact on the valuation and classification of the assets and liabilities of the Group, nor on its income statement or cash flows, with the exception of IFRS 16 'Leases', replacing 'IAS 17 Leases' and taking effect on January 1, 2019. IFRS 16 'Leases' will primarily affect the accounting of leases, and will result in the recognition of almost all leases on the balance sheet.

The current distinction between operating and financing leases has been removed from IFRS 16. The standard requires a lessee to recognize a 'right of use' asset, representing its right to use the underlying asset and a liability, representing its obligation to make lease payments, for almost all lease contracts. Short-term leases and low-value leases are exempted. The Group has preliminary decided to make use of the latter exemption when and if implemented. The impact on the income statement is that current operating expenses will be replaced by depreciation and interest; as a result, key metrics such as operating profit and EBIT(D)A will change. Total expenses (depreciation for 'right of use' assets and interest on lease liabilities) are higher in the earlier years of a typical lease and lower in the later years, in comparison with current accounting for operating leases.

The typical impact on the statement of cash flows is higher cash flows from operating activities, since cash payments for the principal part of the lease liability are classified in the net cash flow from financing activities.

The Group has started initial assessments of the potential impact on its consolidated financial statements. The monetary effect is yet to be determined, but based on current lease commitments of € 750 million, this will have a material effect on the valuation of assets and liabilities.

Unless otherwise stated, the financial statements are prepared under the historical cost convention and on a going concern basis.

For both current assets and liabilities (expected to be recovered or settled within 1 year) and non-current assets and liabilities (expected to be recovered or settled after 1 year), the corresponding presentation is used on the face of the balance sheet.

The Group operates in countries with different currencies. All subsidiaries have as their functional currency the local currency of the country in which they operate. The Group and its parent company use the euro as their functional and presentation currency.

All amounts in tables are presented in millions of euros.

2.2 Fair value estimation

Fair value estimations are mainly used with respect to financial assets and financial liabilities.

As no financial assets and liabilities of the Group are traded in active markets, the fair value of financial assets and liabilities is estimated by discounting the future contractual cash flows at current market interest rates that are available to the Group for similar financial assets and liabilities. The fair value is only calculated for disclosure purposes.

Because of this valuation method that uses observable market data for the interest rates, the resulting fair value estimates reflect 'Level 2 Financial Instruments' for 2016 and 2015.

3. Capital and financial risk management

3.1 Capital management

Randstad Holding's policy is to maintain a sound financial position through a leverage ratio (net debt/EBITDA) of between 0 and 2. We believe this is important in order to maintain candidate, client, creditor and investor confidence and to sustain the future development of our business.

Our financing policy aims to secure financing which matches the Group's mid- to long-term financing requirements.

3.1.1 Dividend policy

Our target is to achieve a flexible payout ratio of 40% to 50% of net profit adjusted for amortization and impairment of acquisition-related intangible assets and goodwill, integration costs and one-offs, provided that our financial position allows for it.

In our amended dividend policy, we propose that an all-cash dividend be paid when our leverage ratio is below 1.0. We will offer an optional dividend (cash or stock) when our leverage ratio is between 1.0 and 2.0, while proposing an optional dividend with a premium on stock dividend when the leverage ratio is between 2.0 and 2.5. We will continue to offer a stock dividend when our leverage ratio is above 2.5.

3.2 Financial risk management

The Group is exposed to a variety of financial risks, including credit risk, liquidity risk, foreign currency exchange risk, and interest rate risk. One of the objectives of the Group's Risk & Control framework is to minimize potential adverse effects on the financial performance of the Group.

Our Risk & Control framework is in place to ensure that risks are detected, measured, and reported properly. Risk management procedures are carried out under policies that have been approved by the Executive Board.

3.2.1 Credit risk

Credit risk within the Group arises from the possibility that clients and other counterparties may not be able to settle their obligations towards the Group.

Credit control policies are included in a blueprint, which is a global document including prescribed work procedures and guidelines. To manage credit risk, credit checks are performed upfront for new customers. For high-risk clients, credit limits are put in place based on internal and/or external ratings. Credit risk is monitored by the credit control departments of our operating companies on a daily basis.

The Group has no significant concentrations of credit risk, as the Group has many clients in a large number of industries and countries.

Trade and other receivables

	2016	2015
Trade receivables	3,593.3	2,993.3
Less: provision for impairment	59.2	38.4
Trade receivables, net of provision for impairment	**3,534.1**	**2,954.9**
Other receivables	456.0	393.7
Prepayments	114.2	80.4
CICE receivables	67.4	-
Held-to-maturity investments	2.5	6.7
	4,174.2	**3,435.7**

The carrying amount of these receivables reflects the fair value.

The Group does not hold any collateral as security.

Accounting policy

Trade and other receivables are initially stated at fair value. Subsequent measurement is at amortized cost using the effective interest method less provision for impairment.

A provision for impairment of trade and other receivables is established when it is more likely than not that the Group will not be able to collect the amounts receivable. The provision for impairment of trade receivables is based on the trade receivable portfolio experience of subsidiaries, as well as on individual assessments of expected non-recoverable receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganization, and serious default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is equal to the difference between the carrying amount of the asset and the present value of estimated future cash flows.

Movements in the provision for impairment of trade receivables

	2016	2015
Balance at January 1	**38.4**	**36.5**
Acquisition of subsidiaries	28.8	-
Charged to selling expenses	7.7	9.4
Receivables written off as uncollectable	(15.6)	(7.8)
Translation differences	(0.1)	0.3
Balance at December 31	**59.2**	**38.4**

In the provision for impairment of trade receivables, an amount of € 43.4 million (2015: € 24.6 million) is included for individually impaired receivables.

The provision for impaired trade receivables is excluding recoverable value-added taxes.

Amounts charged to the provision for impairment of trade receivables are generally written off when there is no expectation of recovering additional cash.

Aging of trade receivables, based on invoice date

	2016		2015	
	Amount	%	Amount	%
0-4 weeks	2,071.8	57.7	1,756.6	58.7
5-16 weeks	1,409.3	39.2	1,148.4	38.4
17-26 weeks	51.0	1.4	43.4	1.4
Not impaired	**3,532.1**	**98.3**	**2,948.4**	**98.5**
Impaired	61.0	1.7	44.9	1.5
	3,593.1	**100.0**	**2,993.3**	**100.0**

The information with regard to aging categories is based on invoice date, as the risk of non-payment starts from this date.

Trade receivables that are neither past due nor impaired amount to € 2,990 million (2015: € 2,452 million); an amount of € 542 million (2015: € 496 million) is past due, but not impaired.

Excess cash positions are invested with preferred financial partners, which are considered to be high-quality financial institutions with sound credit ratings, or in highly rated liquidity funds. Policies are in place that limit the amount of credit exposure to any one financial institution.

For other financial assets, which mainly comprise receivables on governmental or semi-governmental bodies, see note 16.

3.2.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations. The Group's approach to liquidity risk is to ensure, as far as possible, that it will always have sufficient funds available to meet its liabilities when due, under both normal and stressed conditions. This risk is managed by having sufficient availability of cash, as well as committed and uncommitted credit lines, both at Group and subsidiary level.

Credit facilities

As at December 31, 2016, the Group has a € 1,920 million (2015: € 1,800 million) committed multi-currency syndicated revolving credit facility at its disposal, which matures in July 2021 (2015: July 2020). As the Group exercised the second extension option in 2016, the final maturity date is now July 2021. The facility agreement contains a covenant with respect to the net debt to EBITDA ratio (leverage ratio), as well as a paragraph on material adverse changes. The net debt to EBITDA ratio has a limit of 3.5, and is calculated based on the results of the Group on a 12-month basis. In certain cases, Randstad is allowed to report a leverage ratio of 4.25x EBITA for a limited period of time.

The actual net debt to EBITDA ratio as at December 31, 2016, is 0.8, which is well below the limit.

The facility agreement stipulates that the basis for calculation of this ratio are the accounting policies as included in the annual report 2011, being the initial starting date of the current facility.

The credit facility has an interest rate that is based each time on the term of the drawings, increased by a margin above the applicable Euribor or Libor rates. The margin is variable and depends on the leverage ratio. The interest rates at year-end are 0.45% for drawings in euros, 1.2% for drawings in US dollars, 0.71% for drawings in UK pounds sterling, and 0.45% for drawings in Japanese yens, for a term shorter than one month. These are also the effective interest rates.

Borrowings

Borrowings are initially recognized at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortized cost.

Any difference between the proceeds and the amount to be repaid is recognized in net finance costs during the term of the borrowings, using the effective interest method.

Total borrowings

	2016	2015
Non-current borrowings comprising drawings on the multi-currency syndicated revolving credit facility	699.2	124.6
Non-current borrowings	**699.2**	**124.6**
Current borrowings	438.6	182.1
Short-term part of non-current borrowings	41.4	-
Borrowings	**480.0**	**182.1**
Total borrowings	**1,179.2**	**306.7**

Transaction costs included in the drawings on the multi-currency syndicated revolving credit facility amount to € 5.4 million (2015: € 7.6 million).

The existing drawings on the multi-currency syndicated revolving credit facility are denominated in euros (€ 100.0 million), US dollars (€ 492.6 million), UK pounds sterling (€ 37.3 million), and Japanese yens (€ 74.7 million). All amounts denominated in currencies other than the euro are designated as hedges of the net investment in subsidiaries in the US, the UK, and Japan. These net-investment hedges are all considered effective.

Current borrowings are denominated in various currencies. As at December 31, 2016, the major amounts denominated in foreign currencies are for an amount of € 9.5 million in US dollars, € 7.1 million in Argentine pesos, € 11.9 million in Indian rupees, and € 2.9 million in Chinese renminbi.

As at December 31, 2016, the short-term part of non-current borrowings to the amount of € 41.4 million (43.7 million US dollars) represents the remaining part of the long-term debt relating to the acquisition of Monster, which was repaid at the beginning of January 2017.

Since the interest rates on the current borrowings fluctuate with the market, the effective interest rates are considered equal to the actual rates.

Negative pledges have been issued for purposes of bank overdraft facilities, and 'pari passu' clauses apply.

At year-ends 2016 and 2015, the Group had no outstanding interest rate or currency derivatives.

Movements in non-current borrowings

	2016	2015
Balance at January 1	**124.6**	**315.0**
Drawings on / (repayments of) syndicated loan	552.9	(212.1)
Acquisition of subsidiaries	128.3	-
Repayments of other non-current borrowings	(87.4)	-
Amortization of transaction costs	2.2	2.2
Changes in value of other long-term debt	(3.9)	-
Translation differences	23.9	19.5
Reclassification to short-term part of non-current borrowings	(41.4)	-
Balance at December 31	**699.2**	**124.6**

Maturities of financial liabilities are expected to be:

Expected maturities of financial liabilities

including interest payments

	Carrying amount	0 - 90 days	91 - 365 days	2 - 5 years	More than 5 years
'December 31, 2016					
Non-current borrowings [1]	699.2	705.2	-	-	-
Current borrowings [2]	480.0	480.0	-	-	-
Trade and other payables [3]	3,279.4	2,788.9	490.5	-	-
Other liabilities [4]	19.3	1.0	0.8	2.9	18.6
	4,477.9	**3,975.1**	**491.3**	**2.9**	**18.6**
December 31, 2015					
Non-current borrowings [1]	124.6	132.3	-	-	-
Current borrowings [2]	182.1	182.1	-	-	-
Trade and other payables [3]	2,768.6	2,307.3	461.3	-	-
Other liabilities [4]	21.5	-	0.4	1.8	25.1
	3,096.8	**2,621.7**	**461.7**	**1.8**	**25.1**

1 Drawings on the syndicated loan contractually mature in January of the subsequent year (see note 21.2); to be extended by new drawings. All amounts are undiscounted.
2 No interest is included, since current borrowings are considered repayable upon demand. All amounts are undiscounted and include short-term part of long-term debt.
3 Excluding deferred income. All amounts are undiscounted.
4 Other liabilities based upon the estimated maturities, due to the nature of put options. Carrying amount is discounted, whereas other amounts are undiscounted.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and at bank, as well as time deposits and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents

	2016	2015
Time deposits	19.3	5.6
Cash on hand and at bank	366.5	127.9
	385.8	**133.5**

Time deposits fall due, on average, within a month. The average interest rate for time deposits is 1.4% (2015: 5.9%).

An amount of € 381.3 million out of € 385.8 million (2015: € 130.4 million out of € 133.5 million) is available upon demand.

Net debt
The net debt includes the balance of cash, cash equivalents, and borrowings (both current and non-current).

Net debt

	2016	2015
Non-current borrowings	(699.2)	(124.6)
Current borrowings	(438.6)	(182.1)
Short-term part of non-current borrowings	(41.4)	-
Total borrowings	**(1,179.2)**	**(306.7)**
Cash and cash equivalents	385.8	133.5
Net debt	**(793.4)**	**(173.2)**

3.2.3 Foreign currency exchange risk

Transactions and balances in currencies other than the functional currency
Transactions in currencies other than the functional currency of the related subsidiary are converted at the foreign exchange rate on the date of the transaction.

Monetary balance sheet items (such as cash and borrowings) in currencies other than the functional currency of the related subsidiary are converted at year-end exchange rates.

Exchange differences resulting from the settlement of transactions on cash, cash equivalents, and borrowings, as well as from the conversion of these monetary balance sheet items, are included in net finance costs. Exchange differences resulting from the settlement of other transactions and conversion of other monetary balance sheet items are included in operating expenses.

Non-monetary balance sheet items (such as property, plant and equipment) that are measured in terms of historical cost in currencies other than the functional currency of the related company are converted at the foreign exchange rates on the date of transaction.

Exposures to foreign currency exchange risk
The Group uses the euro as its reporting currency. Currencies other than the euro that are of primary importance to the Group are the Australian dollar, the Canadian dollar, the Japanese yen, the UK pound sterling and the US dollar.

Main exchange rates to the euro

averages on annual basis

	2016		2015	
	Average	At year-end	Average	At year-end
Australian dollar	0.67	0.68	0.68	0.67
Canadian dollar	0.68	0.70	0.71	0.66
Japanese yen	0.00832	0.00812	0.00745	0.00762
UK pound sterling	1.22	1.17	1.38	1.36
US dollar	0.90	0.95	0.90	0.92

The foreign currency exchange risk of the Group with respect to transactions is limited, because subsidiaries usually generate both revenues and expenses in the same local currency.

All other foreign exchange transactions, which mostly consist of intercompany financing (equity increases, dividends, intercompany loans and interests), are executed, in principle, on a spot basis. The Group has a policy to match, within certain preset boundaries, the currencies in the net debt positions with the currencies in the cash flow generation. The currency mix of the debt can easily be adjusted, as the € 1,920 million syndicated revolving credit facility is a multi-currency facility. In principle, the use of derivatives is therefore unnecessary.

Currency fluctuations can, however, affect the consolidated results, due to the translation of local results into the Group's reporting currency.

Translation effects from consolidation may also impact shareholders' equity. The Group has a number of net investments in foreign subsidiaries whose assets and liabilities are exposed to currency translation risk that is accounted for, through total other comprehensive income, in equity. Currency exposures arising from the net assets of the Group's foreign operations are monitored and, when considered necessary, hedged against borrowings in the relevant currencies through a net investment hedge; translation differences on borrowings classified as such are included, through comprehensive income, in equity.

Sensitivity
If the euro had weakened or strengthened 10% on average during 2016 against the currencies mentioned above, with all other variables held constant, EBITA for the year 2016 would have been higher or lower respectively in the range of € 2 million – € 24 million per currency. The effect on shareholders' equity would have been the same (before tax effects) (2015: range of € 2 million – € 22 million per currency).

3.2.4 Interest rate risk

As we believe the staffing industry has a natural hedge to interest rate changes (EBITDA levels usually move up and down more or less in line with interest rate levels), and since the Group is cash-generating, the general policy is to keep interest rates on net debt floating as much as possible. We also believe this adds value for shareholders in the long term, as over time floating interest rates are on average significantly lower than fixed interest rates.

Sensitivity
If the interest rate had been 1 percentage point higher on average during 2016, with all other variables held constant, net interest expenses for the year would have been € 5 million higher (2015: € 4 million higher).

4. Critical accounting policies, judgments, estimates and assumptions

In preparing the financial statements, management has to make certain judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. The actual outcome may differ from these judgments, estimates, and assumptions, and therefore could have a material effect on the carrying amount of the asset or liability involved. The timing of outflow of resources to settle provisions is subject to the same uncertain factors. Judgments, estimates, and assumptions are reviewed on an ongoing basis, and are based on historical experience and various other factors, including expectations about future events that are believed to be reasonable under the circumstances and for the item involved. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Group considers the following accounting policies, judgments, estimates, and assumptions as critical:

- Impairment of non-financial assets in general and impairment of goodwill specifically;
- Provisions;
- Corporate taxes;
- Revenue recognition.

4.1 Impairments

4.1.1 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, with the exception of deferred tax assets and the plan assets in relation to defined benefit pension plans, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For goodwill, testing for impairment is performed at least annually.

If there are such indications, the recoverable amount of the asset is estimated. If this is not possible, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. For purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to groups of cash-generating units, being operating segments, for purposes of impairment testing.

If the recoverable amount of an asset or a cash-generating unit (or operating segment) is estimated to be lower than its carrying amount, the related carrying amount is reduced to its recoverable amount.

The resulting impairment loss is immediately recognized in total operating expenses.

The recoverable amount is the higher of an asset's fair value less costs to dispose and its value in use.

The value in use is determined by using the present value of estimated cash flow projections. The discount rates are based on interest rates that align with the terms of the projections and the specific risks of the asset or business respectively.

In determining the fair value less costs to dispose, information such as recent market transactions is taken into account; if no such transactions (or comparable transactions) can be identified, an appropriate valuation model is used. This valuation model is supplemented by valuation multiples, quoted share prices, or other available fair-value indicators.

Impairment losses relating to a cash-generating unit (or operating segment) are first allocated to reduce the carrying amount of the goodwill of the related cash-generating unit (or operating segment) and then to reduce the carrying amount of the other assets of that cash-generating unit (or operating segment) on a pro rata basis.

An impairment loss with respect to goodwill is not reversed.

With respect to other assets, an impairment loss recognized in a prior period is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

For the impairment-testing method of property, plant and equipment, software and acquisition-related intangible assets, see notes 13, 14 and 15 respectively.

4.1.2 Goodwill and impairment of goodwill

Goodwill

	2016	2015
Cost	3,334.8	3,193.7
Accumulated impairment	840.0	818.6
Balance at January 1	**2,494.8**	**2,375.1**
Acquisition of subsidiaries	441.2	58.2
Disposal of subsidiaries	(0.1)	(1.5)
Impairment	(9.9)	-
Translation differences	7.1	63.0
Balance at December 31	**2,933.1**	**2,494.8**
Cost	3,750.2	3,334.8
Accumulated impairment	817.1	840.0
Balance at December 31	**2,933.1**	**2,494.8**

In 2016, the Group acquired various companies, resulting in an amount of goodwill of € 441.2 million, based on provisional purchase price allocations, except for the purchase price allocation of Proffice, which was finalized in Q4, 2016, with no adjustment compared to the provisional one in Q1, 2016. For further information on these acquisitions, see note 6.1.

In 2016, the Group finalized the purchase price allocation relating to the acquisition of RiseSmart Inc. (USA) in 2015, resulting in a minor adjustment of € 0.2 million, which is included in the amount of € 0.2 million in respect of acquisitions of subsidiaries. The amount involved is neither considered material in relation to the total consideration for RiseSmart Inc. (USA) nor to the total goodwill for RiseSmart Inc. (USA).

In 2016, the Group disposed of its subsidiary Randstad Lanka (Private) Limited (Sri Lanka). The related carrying amount of goodwill amounting to € 0.1 million has been derecognized.

In 2015, the Group disposed of activities in Australia. The related carrying amount of goodwill amounting to € 1.5 million has been derecognized.

Accounting policies
Goodwill on acquisitions of subsidiaries is included in intangible assets; goodwill on acquisitions of associates is included in investments in associates. For the measurement of goodwill at initial recognition, see note 6.1.

Goodwill on acquisitions represents payments made by the Group in anticipation of future economic benefits from assets that cannot be identified individually and cannot be recognized separately. These relate, for example, to synergies expected from integrating the acquired companies and the workforces of the acquired companies.

Goodwill is stated at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity that is sold. Where goodwill has been allocated to an operating segment and part of the operation within that operating segment is disposed of, the goodwill related to that part is included in the carrying amount of the disposed operation when determining the gain or loss on disposal. Goodwill disposed is calculated based on the relative value of the disposed operation of the total value of the operating segment to which the disposed operation belongs. If disposal of an entity results in a loss, the goodwill part in the loss is presented in the statement of comprehensive income as an impairment of goodwill, up to a maximum amount of the loss on disposal.

Goodwill is allocated to operating segments for the purpose of impairment testing. The allocation is made to those operating segments that are expected to benefit from the business combination in which the goodwill arose.

Impairment testing
In the case of triggering events and at least annually, the Group tests whether intangible assets, being goodwill and acquisition-related intangible assets, have suffered any impairment. The recoverable amounts of cash-generating units have been determined using, among other instruments, value-in-use calculations. These calculations require the use of estimates. Based on these impairment tests, impairment losses, if any, are identified.

Determination of recoverable amount
The recoverable amount for all operating segments is based on the higher of the value in use and the fair value less cost to dispose. The value in use is determined by means of cash flow projections based on the actual operating results adjusted for non-cash items (mainly depreciation and amortization) and the expected future performance, which in turn is based on historical performance, management's estimates and assumptions of revenue growth, and of developments of operating margins, assessed using external data, covering a period of, in principle, nine years (2015: nine years). Cash flow projections after this period are extrapolated by means of a growth percentage of 0.25% (2015: 0.25%) throughout the Group. The nine-year period of the projections reflects an estimated full business cycle of the industry.

Yearly impairment test
Key assumptions in the cash flow projections are:
- Annual revenue growth of the Group: on average between 1.4% and 7.0% for the first three years and 1.5% to 1.7% for the following six years (Netherlands: (0.2)% to 7.5% and (0.2)% respectively; USA: 2.2% to 4.4% and 2.2% to 2.3% respectively);
- EBITA of the Group in the range of 4.5% to 5.0% of revenue (Netherlands: 4.8% to 5.0%; USA: 5.7% to 6.1%);
- Growth rate in revenue and EBITA percentages vary between segments in relatively limited terms and are dependent on the mix in revenue.

The cash flow projections are prepared in local currencies, and discounted with pre-tax discount rates for each currency involved. The pre-tax discount rates vary from 8.3% to 20.8% (2015: 8.9% to 30.8%). The weighted average is 12.6% (2015: average 13.0%). Netherlands: 10.7% (2015: 10.6%); USA: 14.0% (2015: 13.8%).

Results of annual impairment test
The annual impairment tests carried out by the Group for 2016 resulted in an impairment of € 9.9 million on goodwill for operating segment India (2015: none) due to lower-than-expected revenue growth and profitability. The pre-tax discount rate used was 20.8% (2015: 20.2%). The annual impairment tests did not indicate that any of the other operating segments that contain goodwill may be impaired.

Sensitivity relating to annual impairment test
The outcome of impairment testing is sensitive to variations in estimates and assumptions. Variations in estimates and assumptions have the following effect on the recoverable amount calculations:
- Revenue growth: a 1.0%-point lower growth rate would not result in an impairment charge;
- A 1.0%-point lower EBITA in percentage of revenue would not result in an impairment charge; a 1.5%-point lower EBITA in percentage of revenue would imply a € 18 million impairment charge for the operating segments United Kingdom (€ 13 million) and Australia (€ 5 million) (2015: € 19 million: Australia (€ 6 million), India (€ 10 million), and Latin America (€ 3 million));
- Discount rate: a 1.0%-point higher discount rate would not result in an impairment charge.

For the carrying amount of goodwill by reporting segment, see note 5.2.

In 2016, the operating segments United Kingdom and Australia are most sensitive to variations in assumptions (2015: Latin America, India and Sourceright APAC). The recoverable amount of operating segments United Kingdom and Australia of € 485 million exceeds the carrying amount (including € 170 million of goodwill) by € 186 million.

The operating segment France has sufficient headroom to cover the previously mentioned variations in assumptions. The operating segments the Netherlands, Belgium & Luxembourg, Germany, USA, Canada, Italy, Spain, Portugal, Switzerland, Eastern Europe, Scandinavia, Poland, Japan, China, Sourceright North America, Hong Kong, Singapore, Malaysia, Sourceright APAC and Sourceright EMEA have substantial headroom available.

4.2 Provisions and employee benefit obligations

4.2.1 Provisions

Movements in provisions

	Restructuring	Workers' compensation	Other	Total
Balance at January 1, 2016	**22.8**	**48.3**	**55.9**	**127.0**
Movements in 2016				
Acquisition of subsidiaries	7.8	-	13.2	21.0
Charged to income statement	17.7	23.6	12.8	54.1
Released to income statement	(3.2)	-	(2.7)	(5.9)
Withdrawals	(19.7)	(27.5)	(8.9)	(56.1)
Total amount in statement of cash flows	**(5.2)**	**(3.9)**	**1.2**	**(7.9)**
Interest due to passage of time	0.1	1.2	0.2	1.5
Translation differences	0.1	1.4	0.9	2.4
Balance at December 31, 2016	**25.6**	**47.0**	**71.4**	**144.0**
Non-current	7.4	30.2	37.7	75.3
Current	18.2	16.8	33.7	68.7
Balance at December 31, 2016	**25.6**	**47.0**	**71.4**	**144.0**
Balance at January 1, 2015				
Non-current	2.5	27.9	43.2	73.6
Current	39.0	18.4	12.5	69.9
	41.5	**46.3**	**55.7**	**143.5**
Movements in 2015				
Acquisition of subsidiaries	-	-	4.5	4.5
Charged to income statement	29.7	24.8	19.6	74.1
Released to income statement	(2.9)	-	(10.3)	(13.2)
Withdrawals	(45.7)	(29.3)	(13.7)	(88.7)
Total amount in statement of cash flows	**(18.9)**	**(4.5)**	**(4.4)**	**(27.8)**
Interest due to passage of time	-	1.5	0.2	1.7
Translation differences	0.2	5.0	(0.1)	5.1
Balance at December 31, 2015	**22.8**	**48.3**	**55.9**	**127.0**
Non-current	4.4	31.0	36.2	71.6
Current	18.4	17.3	19.7	55.4
Balance at December 31, 2015	**22.8**	**48.3**	**55.9**	**127.0**

Provisions for restructuring are recognized when a detailed and formal restructuring plan is approved, and the restructuring has either commenced or has been announced publicly. These restructuring provisions mainly comprise severance payments for personnel and lease termination penalties for branches.

Provisions for workers' compensation are based on claims for compensation and medical expenses (of both staffing and corporate employees) in relation to accidents during working hours, for which the Group is liable under applicable local laws. These provisions relate to our activities in North America and in part of Australia, where we are responsible for payment of workers' compensation claims up to a maximum amount per claim, beyond which the costs are insured. Independent actuaries calculate the amount of the provision.

The effective interest rate used in the calculation of the provision for workers' compensation is 3% (2015: range of 2% to 3%).

Other provisions mainly relate to:
- Onerous contracts, where the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract; and
- Estimated amounts of claims from third parties. These generally consist of a large number of individual claims. These claims are provided for at the lowest amount at which the Group expects the claim to be reasonably settled. Due to the highly uncertain timing of the expected future cash outflow, amounts provided for claims from third parties are categorized to be settled within 1 year after the balance sheet date, unless these are explicitly expected to be settled later.

The majority of the non-current part of these provisions is expected to be settled within three years of the balance sheet date.

Sensitivity
The provision for workers' compensation is sensitive to interest rate changes. Should the interest rate deviate by 1 percentage point, with all other variables held constant, the provision would deviate in the range of € 1 million to € 2 million (2015: range of € 1 million to€ 2 million).

Accounting policy
Provisions are recognized for legally enforceable or constructive obligations as a result of a past event for which the settlement is likely to require an outflow of resources and to the extent these can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an interest rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

4.2.2 Employee benefit obligations

Employee benefit obligations

	2016	2015
Defined benefit pension plans	77.8	72.0
Other post-employment benefits	4.2	4.8
Other long-term employee benefits	25.3	32.0
Balance at January 1	**107.3**	**108.8**
Movements during the year		
Acquisition of subsidiaries	5.8	-
Charged to comprehensive income	77.3	49.3
Withdrawals/benefits paid	(47.0)	(41.1)
Contributions, employers	(11.7)	(10.7)
Translation differences	0.6	1.0
Total movements	**25.0**	**(1.5)**
Defined benefit pension plans	91.5	77.8
Other post-employment benefits	9.7	4.2
Other long-term employee benefits	31.1	25.3
Balance at December 31	**132.3**	**107.3**
Non-current	119.1	94.9
Current	13.2	12.4
Balance at December 31	**132.3**	**107.3**

Employee benefit obligations charged to comprehensive income

	2016	2015
Current service cost, total	73.9	54.3
Contributions, employees	(7.5)	(7.1)
Current service cost net, charged to operating profit	**66.4**	**47.2**
Interest expense due to passage of time	3.3	3.2
Interest income due to passage of time	(1.5)	(1.7)
Charged to net finance costs	**1.8**	**1.5**
Remeasurement losses, net	**9.1**	**0.6**
Charged to comprehensive income	**77.3**	**49.3**

The discount rates used to calculate employee benefit obligations are in the following ranges:

Discount rates (employee benefit obligations)

	2016	2015
Defined benefit pension plans	0.5% - 1.9%	0.7% - 2.5%
Other post-employment benefits	1.9% - 2.0%	2.0% - 7.6%
Other long-term employee benefits	(0.2)% - 3.0%	0.1% - 4.7%

The obligations regarding other post-employment benefits and other long-term employee benefits are unfunded.

Pensions

The Group has various pension schemes, in accordance with local conditions and practices in the countries in which it operates. In some countries, such pension schemes are operated through a company pension fund. Most of the pension schemes are defined contribution plans, which are funded through payments to independent entities. For these schemes, the Group's obligation is limited to the payment of these annual contributions. The contributions constitute net periodic costs for the year in which they are due and are included in personnel expenses and/or costs of services.

A few pension schemes are defined benefit plans. The liability recognized in the balance sheet is the present value of the defined benefit obligation less the fair value of plan assets. Independent actuaries calculate the defined benefit obligations based on factors such as age, years of service, and compensation (projected unit credit method).

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and with terms to maturity that approximate the term when the related pension liability is due.

Current service costs are recognized in personnel expenses and/or cost of services and reflect the increase in the defined benefit obligation resulting from employee service in the current year.

Past service costs are recognized immediately in personnel expenses and/or cost of services.

Remeasurement gains and losses of the net defined benefit obligation arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income.

The net interest expense on the net defined benefit liability is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then net defined benefit liability. Net interest expense is recognized in net finance costs.

In the Netherlands and Belgium, three pension schemes are operated through separate and independent company pension funds. For the Netherlands these pension funds are 'Stichting Pensioenfonds Randstad' for corporate employees and 'Stichting Pensioenfonds Flexsecurity' for staffing employees employed by Dutch Group companies. Both funds operate defined contribution pension plans. Stichting Pensioenfonds Randstad operates a closed pension plan. In 2016, the transactions with these funds amounted to € 0.2 million and € 50.7 million respectively. The balances as at December 31, 2016 amounted to zero and € 3.7 million payable respectively. For Belgium, the pension fund is 'Pensioenfonds Belgische werkmaatschappijen van Randstad OFP' for corporate employees employed by Belgian Group companies. The fund operates a defined benefit pension plan. In 2016, transactions with this fund amounted to € 3.8 million. The balance as at December 31, 2016 amounted to € 0.4 million payable.

Other post-employment benefits

Other post-employment benefit plans are defined benefit plans and follow the same accounting treatment as defined benefit pension plans. Independent actuaries calculate the defined benefit obligations based on factors such as age, years of service, and compensation (projected unit credit method). These plans mainly consist of state-driven plans in Italy and India, and post-employment health benefits in the USA.

Remeasurements of the obligation – comprising gains and losses arising from experience adjustments and changes in actuarial assumptions – are recognized immediately in other comprehensive income.

Other long-term employee benefits

In accordance with applicable legal requirements, the Group recognizes liabilities for several other long-term employee benefit plans, such as sickness-related schemes and long-service leave plans. These liabilities are based on calculations made by independent actuaries based on factors such as age, years of service, expected sickness duration, and compensation (the 'projected unit credit method').

Remeasurement gains and losses related to these plans are recognized in personnel expenses and/or cost of services in the year in which they occur.

For more information on employee benefit obligations, see note 25.

4.3 Corporate taxes

The Group is subject to corporate income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide deferred tax asset on, among other items, tax losses carry-forward. There are many uncertain factors that influence the amount of tax losses carried forward. The Group recognizes deferred tax assets on tax losses carried forward based on its best estimates. The recoverability of deferred income tax assets is reviewed and assessed frequently, using forecasts that are based on the actual operating results and expected future performance. External data are used for reference if considered necessary. When the actual results are different from the amounts that were initially estimated, such differences will impact the income tax in the income statement (effective tax rate), as well as the deferred tax assets and/or deferred tax liabilities in the period in which these deviations occur. The Group has also identified a number of uncertain tax positions, which could lead to positive and/or negative differences.

4.3.1 Deferred and current income taxes

Using the balance sheet liability method, deferred tax assets and liabilities are recognized to provide for temporary differences between the value of the assets and liabilities for financial reporting purposes and for tax purposes. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to the same tax authority.

Deferred tax assets, including those resulting from tax losses carried forward, are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences, including tax losses carried forward, can be utilized.

Deferred tax assets and liabilities are valued at tax rates enacted or substantially enacted at year-end and which are expected to apply in the coming years when the assets and liabilities are expected to be realized or settled.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities arising from undistributed profits from investments where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Movements in total position of corporate taxes

	2016	2015
Assets/(liabilities)		
Deferred income tax assets	531.5	534.7
Current income tax receivables	58.0	56.4
Deferred income tax liabilities	(35.9)	(34.8)
Current income tax liabilities	(36.8)	(29.2)
Balance at January 1	**516.8**	**527.1**
Movements during the year		
Charged to income statement	(197.8)	(163.6)
Net payments	159.8	105.4
Acquisition of subsidiaries' deferred taxes	(8.3)	(6.3)
Acquisition of subsidiaries' current taxes	(13.5)	-
Recognized in other comprehensive income	9.3	16.2
Recognized in equity on share-based compensations	4.7	(0.6)
Translation differences	8.6	38.6
Total movements	**(37.2)**	**(10.3)**
Assets/(liabilities)		
Deferred income tax assets	520.2	531.5
Current income tax receivables	72.2	58.0
Deferred income tax liabilities	(42.2)	(35.9)
Current income tax liabilities	(70.6)	(36.8)
Balance at December 31	**479.6**	**516.8**

Deferred income tax assets

Composition of deferred income tax assets

	2016	2015
Tax losses carry-forward	347.7	453.2
Unused tax credits	112.4	87.5
Property, plant, equipment, and intangible assets	59.0	66.7
Other receivables/other payables	91.3	71.3
Provisions	79.4	69.2
Temporary differences	**229.7**	**207.2**
Deferred income tax assets (before netting)	**689.8**	**747.9**
Amount netted with deferred income tax liabilities	(169.6)	(216.4)
Deferred income tax assets (after netting)	**520.2**	**531.5**

Deferred income tax assets in relation to tax losses carried forward comprise an amount of € 64 million (2015: € 81 million), originating from subsidiaries that showed tax losses in the current or preceding year.

Certain deferred income tax assets, whose recoverability is considered not probable, are valued at nil. These concern deferred tax assets in relation to tax losses carried forward of € 334 million (2015: € 307 million), as well as deferred tax assets relating to other temporary differences of € 2 million (2015: € 2 million).

The part of deferred tax assets that is expected to be recovered within one year is estimated at € 90 million (2015: € 99 million).

Sensitivity
The deferred tax assets are only recognized to the extent that it is considered probable that future taxable profits will be available against which these deferred tax assets can be utilized. The scenarios used are in agreement with the estimates and assumptions used in the goodwill impairment testing (see note 4.1.2). The various scenarios yield potential outcomes that do not materially deviate from the carrying amount.

Unused tax credits mainly relate to tax credits in the USA, which will be realized after all tax losses carried forward have been recovered.

Deferred income tax liabilities

Composition of income tax liabilities

	2016	2015
Acquisition-related intangible assets	28.3	26.0
Temporary differences subsidiaries	71.0	117.2
Other temporary differences	112.5	109.1
Deferred income tax liabilities (before netting)	**211.8**	**252.3**
Amount netted with deferred income tax assets	(169.6)	(216.4)
Deferred income tax liabilities (after netting)	**42.2**	**35.9**

The part of deferred income tax liabilities that is expected to be settled within one year is estimated at € 5 million (2015: € 27 million).

Movements in deferred income taxes
In the table below, the balances of deferred income tax assets and deferred income tax liabilities have been included gross at the beginning and end of the year. The netting of deferred income tax assets and liabilities is shown in the tables for deferred income tax assets and liabilities.

Movements in deferred income taxes

	Tax losses carry-forward	Unused tax credits	Temporary differences	Total 2016	Total 2015
Deferred income tax assets	453.2	87.5	207.2	747.9	866.9
Deferred income tax liabilities	-	-	(252.3)	(252.3)	(367.0)
Balance at January 1	**453.2**	**87.5**	**(45.1)**	**495.6**	**499.9**
Movements during the year					
Acquisition of subsidiaries	3.3	-	(11.6)	(8.3)	(6.3)
Income statement	(59.8)	21.0	68.5	29.7	24.7
Other movements	(52.4)	-	2.8	(49.6)	(62.7)
Translation differences	3.4	3.9	3.3	10.6	40.0
Total movements	**(105.5)**	**24.9**	**63.0**	**(17.6)**	**(4.3)**
Deferred income tax assets	347.7	112.4	229.7	689.8	747.9
Deferred income tax liabilities	-	-	(211.8)	(211.8)	(252.3)
Balance at December 31	**347.7**	**112.4**	**17.9**	**478.0**	**495.6**

4.3.2 Corporate taxes on income
Corporate taxes on income for the year comprise current taxes and deferred taxes. Income taxes are recognized in the income statement, except for taxes that relate to items recognized in other comprehensive income; these taxes are then also directly recognized in other comprehensive income.

Current taxes on income are the sum of taxes levied on the results before taxes, in the countries where those results were generated, based on local tax regulations and at tax rates of the applicable year. Tax-exempt income and expenses not deductible for tax purposes are taken into account in calculating current taxes on income.

Details of corporate taxes on income

	2016	2015
Current tax expense	227.5	188.3
Deferred tax (income) / expense	(29.7)	(24.7)
Tax expense	**197.8**	**163.6**

In 2016, the average effective tax rate on income before taxes was 25.1% (2015: 24.0%). The reconciliation between the applicable income tax rate of the company's country of domicile and the average effective tax rate is as follows:

Reconciliation from applicable to effective tax rate

	2016	2015
Income tax rate of the company's country of domicile	25.0%	25.0%
Effect of income tax rates in other (non-domestic) jurisdictions	1.6%	4.8%
Weighted average applicable tax rate	**26.6%**	**29.8%**
Tax-exempt income/non-tax-deductible items	(5.7%)	(5.2%)
Changes in statutory applicable tax rates and effects of prior years	1.3%	(0.4%)
Change in valuation of deferred tax assets and other	2.9%	(0.2%)
Average effective tax rate	**25.1%**	**24.0%**

The change in the weighted average applicable tax rate in 2016 compared to 2015 is due to a changed relative mix in the results of subsidiaries in countries with different tax rates.

The tax-exempt income related to French CICE tax credits has an impact of 4.7%-points on the effective tax rate (2015: 5.5%), whereas the effect of the non-tax deductible French business tax (CVAE) was only 3.5%-points in 2016 (2015: 3.6%-points), which is due to the increase in profit before taxes. The other tax-exempt income and non-tax deductible expenses had a positive impact of 4.5%-points (2015: 3.3%-points).

'Changes in statutory applicable tax rates and effects of prior years' increased in 2016 as a result of tax rate changes and tax audits in certain countries.

'Change in valuation of deferred tax assets and other' is impacted by the assessment of recoverability of the tax assets in various countries. In 2016, these assessments resulted in an increase of the provisions recorded.

4.4 Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for services rendered during the year to third parties. Revenue from services rendered is recognized in the income statement in proportion to the progress in execution of the contract as of the balance sheet date. Progress in execution of the contract is measured by reference to costs (mainly hours) incurred to date as a percentage of total estimated costs for each contract. When the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent that expenses incurred are eligible to be recovered. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration.

Revenue from temporary placements includes the amounts received or receivable for the services of candidates, including the salary and salary-related employment costs of those employees (gross basis). These revenues are generally based on the number of hours worked by these candidates.

Revenue from permanent placements includes the fee received or receivable for the services provided. This fee is generally a percentage of the candidate's remuneration package (net basis). The revenue of these permanent placements is recognized on completion of the service, being, in principle, the start date of the candidate. For 'retained assignments', revenue is recognized on the completion of certain pre-agreed stages of the service and for which the fee is non-refundable. Allowances are established to estimate losses due to placed candidates not remaining employed during the agreed guarantee period.

For the job posting and résumé services of Monster Worldwide Inc., revenue is recognized based on (statistical) usage during the term of the contract, based on the specific underlying elements of the contract and service.

In situations where the Group is the principal in the transaction and has risks and rewards of ownership, the transactions are recorded gross in the statement of comprehensive income. When the Group acts as an agent, such as in cases where the Group acts as a managed services provider, revenues are reported on a net basis.

4.4.1 Revenue categories

Revenue categories are our service concepts. Three different revenue categories are reported: 'Staffing' (including HR Solutions), 'Professionals', and 'Inhouse Services' (including Search & Selection). All service concepts have activities in all parts of the world. For a more detailed description of these service concepts, see the section 'value for our clients and candidates'.

'Staffing' includes two months' revenue of Monster Worldwide Inc. (€ 82.2 million), acquired November 1, 2016.

Revenue by revenue category

	2016	2015
Staffing	12,065.2	11,186.4
Inhouse Services	4,640.7	4,216.4
Professionals	3,978.2	3,816.4
	20,684.1	**19,219.2**

5. Segment reporting

Segments are geographical areas and are reported in a manner consistent with internal management reporting provided to the Executive Board. There are no material sales or other transactions between the geographical areas. 'Corporate' is also included in the disclosures on segments, and represents the unallocated part of assets and liabilities of holding activities, as well as the income and expenses of holding activities; the latter net after management charges to geographical areas.

On November 1, 2016, the Group acquired Monster Worldwide Inc. Monster Worldwide Inc. is active in more than 40 countries. The assets and liabilities as at December 31, 2016, as well as income statement metrics for the two-month period that ended on December 31, 2016, are presented under 'Rest of the world'.

5.1 Income statement

Segmentation income statement

	Revenue		Gross profit		Operating profit	
	2016	2015	2016	2015	2016	2015
North America	4,719.9	4,653.4	1,083.1	1,049.4	234.7	212.4
Netherlands	3,185.6	3,076.9	588.9	603.0	172.5	167.7
France	3,045.1	2,845.1	493.1	468.4	153.5	115.7
Germany	2,087.6	1,969.6	360.6	346.6	92.9	85.4
Belgium & Luxembourg	1,372.5	1,350.3	292.0	271.5	84.9	70.7
Iberia	1,275.1	1,193.5	168.9	150.4	56.1	40.8
United Kingdom	817.2	909.5	148.4	170.8	19.5	14.0
Other European countries	2,338.5	1,576.6	398.0	244.3	57.0	56.0
Rest of the world	1,842.6	1,644.3	401.2	290.1	(4.0)	4.9
Corporate	-	-	-	-	(76.5)	(62.9)
Total	**20,684.1**	**19,219.2**	**3,934.2**	**3,594.5**	**790.6**	**704.7**

	Amortization and impairment of acquisition-related intangibles and goodwill		EBITA		Depreciation / amortization of property, plant, equipment, and software, including impairments		EBITDA	
	2016	2015	2016	2015	2016	2015	2016	2015
North America	25.2	26.7	259.9	239.1	14.8	14.5	274.7	253.6
Netherlands	6.2	17.5	178.7	185.2	11.5	11.0	190.2	196.2
France	10.8	33.0	164.3	148.7	13.4	13.5	177.7	162.2
Germany	0.7	3.4	93.6	88.8	3.7	4.1	97.3	92.9
Belgium & Luxembourg	3.1	7.9	88.0	78.6	5.2	5.3	93.2	83.9
Iberia	3.5	9.1	59.6	49.9	2.2	1.9	61.8	51.8
United Kingdom	0.0	7.4	19.5	21.4	2.6	3.1	22.1	24.5
Other European countries	23.9	5.7	80.9	61.7	6.6	3.1	87.5	64.8
Rest of the world	28.0	16.6	24.0	21.5	10.1	7.8	34.1	29.3
Corporate	-	-	(76.5)	(62.9)	4.0	0.4	(72.5)	(62.5)
Total	**101.4**	**127.3**	**892.0**	**832.0**	**74.1**	**64.7**	**966.1**	**896.7**

5.2 Balance sheet

Segmentation balance sheet

	Property, plant & equipment		Software		Goodwill		Acquisition-related intangible assets		Operating working capital		Total assets	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
North America	27.0	28.4	18.1	12.7	703.2	604.0	45.0	69.2	384.7	391.7	1,574.8	1,518.3
Netherlands	45.1	35.5	2.0	2.0	809.7	796.8	-	6.3	(92.3)	(96.5)	1,405.2	1,366.7
France	18.9	19.6	7.2	10.2	431.7	399.6	-	10.8	(12.1)	(52.7)	1,546.1	1,369.5
Germany	3.5	3.9	5.7	5.3	212.9	205.4	2.3	0.5	16.8	(12.3)	538.6	491.8
Belgium & Luxembourg	7.5	8.5	3.9	3.0	125.0	126.8	0.1	3.2	43.4	42.6	376.9	363.9
Iberia	6.1	4.3	0.4	0.2	0.9	0.9	-	3.5	139.8	96.3	306.7	283.4
United Kingdom	5.1	4.4	0.9	1.9	129.5	136.0	-	-	83.6	130.0	278.1	315.2
Other European countries	9.8	6.0	11.0	2.2	244.4	102.9	67.4	2.0	140.3	77.9	936.9	440.0
Rest of the world	42.3	14.3	17.4	7.2	275.8	122.4	238.4	13.0	1.0	59.0	1,168.7	430.3
Corporate	-	-	0.6	1.1	-	-	-	-	6.9	(14.6)	62.8	35.4
Eliminations	-	-	-	-	-	-	-	-	-	-	(47.1)	(28.7)
Total	**165.3**	**124.9**	**67.2**	**45.8**	**2,933.1**	**2,494.8**	**353.2**	**108.5**	**712.1**	**621.4**	**8,147.7**	**6,585.8**

5.2.1 Operating working capital

Operating working capital includes current assets, excluding cash and cash equivalents, current income tax receivables, and the current part of loans and receivables, minus current liabilities, excluding current borrowings, current income tax liabilities, and the current part of provisions, of employee benefit obligations, and of other liabilities. Deferred receipts from disposal of subsidiaries, as well as the net interest payable, are also excluded in order to align the presentation of the movements in these latter two items, which are presented under net cash flow from investing activities and financing activities respectively.

5.2.2 Total assets

Assets by segment include total assets excluding deferred income tax assets, current income tax receivables, and cash and cash equivalents.

Total assets

	2016	2015
Total assets	9,125.9	7,308.8
Less:		
- Deferred income tax assets	520.2	531.5
- Current income tax receivables	72.2	58.0
- Cash and cash equivalents	385.8	133.5
Assets by segment	**8,147.7**	**6,585.8**

Operating working capital

	2016	2015
Current assets	4,632.2	3,627.2
Current liabilities	(4,036.7)	(3,105.6)
Working capital	**595.5**	**521.6**
Current assets	**4,632.2**	**3,627.2**
Adjusted for:		
- Cash and cash equivalents	(385.8)	(133.5)
- Current income tax receivables	(72.2)	(58.0)
- Current part of loans and receivables	(69.9)	(6.7)
- Deferred receipts disposed Group companies	-	0.0
- Interest receivable	0.0	(0.1)
Operating working capital assets	**4,104.3**	**3,428.9**
Current liabilities	**(4,036.7)**	**(3,105.6)**
Adjusted for:		
- Current borrowings	480.0	182.1
- Current income tax liabilities	70.6	36.8
- Current provisions	68.7	55.4
- Current employee benefit obligations	13.2	12.4
- Current other liabilities	6.7	7.0
- Interest payable	5.3	4.4
Operating working capital liabilities	**(3,392.2)**	**(2,807.5)**
Operating working capital assets	4,104.3	3,428.9
Operating working capital liabilities	(3,392.2)	(2,807.5)
Operating working capital	**712.1**	**621.4**

6. Business combinations

6.1 Information about acquisitions

During 2016 and 2015, the following companies were acquired:

Business combinations

Company	Acquired % of shares	Acquisition date
2016		
Proffice AB (Sweden)	100%	February 4
'twago' (Germany)	100%	June 14
O(biettivo) L(avoro) Group Srl (Italy)	100%	July 1
Careo Holding KK (Japan)	100%	July 1
Monster Worldwide Inc. (USA)	100%	November 1
2015		
RiseSmart, Inc. (USA)	100%	September 24

The main activities of Proffice, OL and Careo are general staffing (all three), professional/specialist staffing (Proffice and Careo), and recruitment services (Proffice).

Monster is a global online employment solution for people seeking jobs and employers who need people. Monster offers services in more than 40 countries, providing job seeking, career management, recruitment and talent management capabilities.

'twago' offers a digital platform for freelancers and clients.

The acquisitions are in line within Randstad's mid- to long-term strategy to grow in (specialist) professionals activities, to strengthen our market position in certain markets and/or countries, and, in line with our 'Tech & Touch' growth strategy, to complement Randstad's activities with technology platforms and easy-to-use digital, social, and mobile solutions.

In respect of the acquisition of Careo Holding KK, a deferred compensation of € 2.6 million (reflecting 5% of the shares) is included under other liabilities.

Proffice AB and Monster Worldwide Inc. were acquired following a public offer.

In June 2016, the Group increased its shareholding in 'twago' to 100%. Before that date, 'twago' was recorded as an equity investment. For further information, see note 16.2 Equity investments.

The fair value of the assets and liabilities arising from the above-mentioned acquisitions, based on provisional purchase allocations, can be summarized as follows:

Summary of assets and liabilities arising from acquisitions and the reconciliation of cash flow from acquisitions

	Proffice	Monster	Other	Total 2016	Total 2015
Property, plant, equipment and software	5.8	32.1	1.8	39.7	0.6
Acquisition-related intangible assets	75.9	215.4	38.0	329.3	44.0
Deferred tax assets	2.4	13.2	8.8	24.4	10.9
Associates	-	19.1	-	19.1	-
Total non-current assets	**84.1**	**279.8**	**48.6**	**412.5**	**55.5**
Working capital (liabilities)/assets	**(2.2)**	**(96.5)**	**29.3**	**(69.4)**	**4.4**
Non-current borrowings	-	128.3	-	128.3	-
Provisions and employee benefit obligations	-	22.8	4.0	26.8	4.5
Deferred tax liabilities	21.0	-	11.7	32.7	17.2
Other liabilities	-	-	0.9	0.9	-
Total non-current liabilities	**21.0**	**151.1**	**16.6**	**188.7**	**21.7**
Non-controlling interest	**0.1**	**-**	**0.3**	**0.4**	**-**
Net assets acquired	**60.8**	**32.2**	**61.0**	**154.0**	**38.2**
Goodwill	115.0	254.2	72.0	441.2	58.2
Total consideration	**175.8**	**286.4**	**133.0**	**595.2**	**96.4**
Net debt/(cash) acquired included in working capital	0.9	(16.0)	(5.7)	(20.8)	(7.1)
Non-current borrowings acquired	-	128.3	-	128.3	-
Net debt/(cash) acquired	**0.9**	**112.3**	**(5.7)**	**107.5**	**(7.1)**
Consideration, adjusted for net debt/(cash) acquired	**176.7**	**398.7**	**127.3**	**702.7**	**89.3**
Deferred compensation on acquisitions	-	-	(2.6)	(2.6)	(0.6)
Consideration paid in respect of acquisitions in preceding years	-	-	-	-	0.3
Consideration paid, adjusted for net debt/(cash) acquired	**176.7**	**398.7**	**124.7**	**700.1**	**89.0**
Deduct: Non-current borrowings acquired	-	(128.3)	-	(128.3)	-
Statement of cash flows, acquisition of subsidiaries	**176.7**	**270.4**	**124.7**	**571.8**	**89.0**

Included in goodwill and intangibles are estimated amounts of € 211 million and € 215 million respectively, which are expected to be deductible for tax purposes.

No acquisition-related costs are included in the total amount of goodwill. The amount of acquisition-related expenses charged to operating expenses is € 13.9 million (2015: € 2.2 million).

In 2016, the newly acquired companies contributed approximately € 700 million to the Group's revenue and approximately € 23 million to the Group's EBITA. If these acquisitions had occurred on January 1, 2016, the contribution to the Group's revenue and EBITA would have been higher by approximately € 715 million and € 13 million respectively.

Accounting policy
The Group uses the acquisition method to account for the acquisition of subsidiaries.

Goodwill at acquisition date is measured as:
- The fair value of the consideration transferred, being the fair value of the assets given and liabilities incurred or assumed; plus
- The recognized amount of any non-controlling interests in the acquiree; plus

- The fair value of any previous equity interests in the acquiree (if the business combination is achieved in stages); less
- The fair value of the identifiable assets acquired and liabilities assumed (including contingent liabilities).

When this difference is negative ('negative goodwill' or badwill), this amount is recognized directly in total operating expenses.

All considerations transferred to acquire a business are recorded at fair value as at the acquisition date; subsequent changes to the fair value of the contingent considerations classified as debt are recognized as expenses or income.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

All acquisition-related costs are expensed and included in other general and administrative expenses.

6.2 Information about disposals

Reconciliation of cash flow disposals

	2016	2015
Goodwill	0.1	1.5
Working capital	0.8	0.8
Net assets and liabilities	**0.9**	**2.3**
Gain on disposal	0.0	1.6
Total consideration	**0.9**	**3.9**
Deferred receipts, net	0.0	0.2
Consideration received in respect of the disposal of subsidiaries and activities	**0.9**	**4.1**
Net cash of disposed subsidiaries and activities	(0.2)	-
Disposal of subsidiaries and activities, statement of cash flows	**0.7**	**4.1**

Accounting policy
Upon disposal of a subsidiary, the gain or loss upon disposal is included in other general and administrative expenses. See note 4.1.2 for further information.

7. Earnings per ordinary share

	2016	2015
Net income	**588.2**	**518.8**
Net income attributable to holders of ordinary shares	575.4	506.2
Amortization and impairment of acquisition-related intangible assets and goodwill (after taxes)	72.1	86.0
Net income attributable to holders of ordinary shares before amortization and impairment of acquisition-related intangible assets and goodwill	**647.5**	**592.2**
Numbers of ordinary shares (in millions)		
Weighted average number of ordinary shares outstanding	182.7	181.7
Dilutive effect of share-based compensation arrangements	1.1	1.6
Weighted average number of diluted ordinary shares outstanding	**183.8**	**183.3**
Earnings per ordinary share (in €)		
Basic earnings per ordinary share	3.15	2.79
Diluted earnings per ordinary share	3.13	2.76

Basic earnings per ordinary share are calculated by dividing net income attributable to the holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year. The issued number of ordinary shares is adjusted for ordinary shares purchased by Randstad Holding nv, which are held as treasury shares.

Diluted earnings per ordinary share are calculated by adjusting the weighted average number of ordinary shares outstanding, assuming conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares arise from various share-based compensation arrangements.

notes to the consolidated income statement

8. Cost of services and total operating expenses

8.1 Cost of services

Cost of services comprises expenses directly attributable to revenue. These costs mainly include expenses related to candidates, such as wages, salaries, and social charges.

Cost of services

	2016	2015
Wages and salaries	13,447.0	12,603.7
Social security charges	2,544.5	2,315.3
Pension charges - defined contribution plans	114.9	107.8
Pension charges - defined benefit plans	6.7	6.2
Wages, salaries, social security and pension charges	**16,113.1**	**15,033.0**
Depreciation of property, plant and equipment	1.3	0.9
Other cost of services	635.5	590.8
	16,749.9	**15,624.7**

8.2 Operating expenses

Operating expenses are classified based on the functional model and are recognized in the year to which they relate.

8.2.1 Selling expenses

Selling expenses comprise personnel and accommodation expenses in relation to operational activities at the outlets, advertising and marketing, and other selling expenses.

Selling expenses include an amount of € 9.2 million (2015: € 11.1 million) related to impairment losses on trade receivables, as well as debt collection costs.

8.2.2 General and administrative expenses

General and administrative expenses comprise personnel and accommodation expenses of head offices, IT expenses, other general and administrative expenses, as well as the amortization and impairment of acquisition-related intangible assets and goodwill.

Other general and administrative expenses include:

- Foreign exchange gains of € 2.3 million (2015: € 1.1 million);
- A loss on the sale of property, plant and equipment of € 0.2 million (2015: € 0.3 million);

During 2016 and 2015, the Group acquired and disposed of companies/activities. The disposals resulted in a result of € 0.0 million (2015: a gain of € 1.6 million); acquisition-related expenses amount to € 13.9 million (2015: € 2.2 million).

8.2.3 Total operating expenses by nature

Total operating expenses by nature

	2016	2015
Wages and salaries	1,699.0	1,562.6
Social security charges	296.1	262.5
Pension charges - defined contribution plans	38.1	33.3
Pension charges - defined benefit plans	8.7	8.5
Share-based compensations	31.3	29.1
Wages, salaries, social security and pension charges	**2,073.2**	**1,896.0**
Other personnel expenses	205.6	204.3
Personnel expenses	**2,278.8**	**2,100.3**
Depreciation and impairment of property, plant and equipment	48.7	44.6
Amortization of software	24.1	19.2
Advertising and marketing	131.4	109.4
Accommodation	196.1	190.0
Other	363.1	299.0
Operating expenses	**3,042.2**	**2,762.5**
Amortization and impairment of acquisition-related intangible assets and goodwill	101.4	127.3
Total operating expenses	**3,143.6**	**2,889.8**

8.3 Depreciation, amortization and impairment of property, plant, equipment, and software

Depreciation, amortization and impairment of property, plant and equipment, and software

	2016	2015
Depreciation of buildings	1.2	1.5
Depreciation of computer hardware	18.6	18.2
Depreciation of leasehold improvements and furniture and fixtures	26.7	25.8
Impairment of computer hardware	3.5	-
Depreciation and impairment of property, plant and equipment	**50.0**	**45.5**
Amortization of software	24.1	19.2
	74.1	**64.7**
Included in:		
Cost of services	1.3	0.9
Selling expenses	19.5	19.9
General and administrative expenses	53.3	43.9
	74.1	**64.7**

8.4 Amortization and impairment of acquisition-related intangible assets and goodwill

Amortization and impairment of acquisition-related intangible assets and goodwill

	2016	2015
Amortization of acquisition-related intangible assets	91.5	127.3
Impairment of goodwill	9.9	-
	101.4	**127.3**

For impairment of goodwill, see note 4.1.2.

8.5 Operating leases

For operating leases, an amount of € 240 million (2015: € 230 million) is included in operating profit.

Lease contracts of which the majority of risks and rewards inherent to ownership do not lie with the Group are classified as operating leases. Expenses related to operating leases are included in operating expenses and/or cost of services on a straight-line basis over the term of the lease.

8.6 Grants

Grants are recognized when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them.

Grants that compensate for expenses incurred are credited to operating expenses and/or cost of services on a systematic basis in the same period in which the expenses are incurred.

Grants included in operating profit amount to € 25.3 million (2015: € 27.8 million), of which € 22.1 million (2015: € 25.0 million) is reported under cost of services. Grants mainly relate to the compensation (in whole or in part) of the costs of education of candidates and of the costs to employ selected categories of employees.

9. Total wages and salaries, social security and pension charges

Wages, salaries, social security charges and pension charges are included in cost of services for candidates and in personnel expenses for corporate employees.

Total amounts of wages and salaries, social security and pension charges

	2016	2015
Wages and salaries	15,146.0	14,166.3
Social security charges	2,840.6	2,577.8
Pension charges - defined contribution plans	153.0	141.1
Pension charges - defined benefit plans	15.4	14.7
Share-based compensations	31.3	29.1
	18,186.3	**16,929.0**

10. Net finance costs

Net finance costs

	2016	2015
Finance income		
Interest and similar income	3.0	3.9
Changes in value of other liabilities [1]	3.9	0.4
Changes in value of other long-term debt [1]	3.9	-
Interest due to passage of time [1]	4.2	4.2
Foreign exchange gain, net [1]	3.8	-
Finance income	**18.8**	**8.5**
Finance expenses		
Interest and similar expenses	7.0	7.6
Interest and commitment fees on non-current borrowings	7.6	5.4
Dividend on non-controlling interests classified as other liabilities	0.9	0.7
Amortization of transaction cost non-current borrowings [1]	2.2	2.2
Interest due to passage of time [1]	4.3	4.2
Changes in value of equity investments [1]	0.6	-
Foreign exchange losses, net [1]	-	17.5
Finance expenses	**22.6**	**37.6**
Net finance costs	**3.8**	**29.1**

1 Items considered non-cash.

Net finance costs comprise interest expenses and interest income, as well as items similar to interest and exchange differences on cash, cash equivalents, and borrowings. Interest expenses and income are recognized in the income statement on a time-proportion basis, using the effective interest method. Interest due to the passage of time of loans and receivables, and deferred considerations, as well as in relation to the valuation of certain provisions and employee benefit obligations, are also included in net finance costs. Changes in the value of deferred considerations and differences upon settlement of these deferred considerations (see note 20), as well as dividend paid to non-controlling interests classified as other liabilities, are also reported under net finance costs.

Finance income expenses, statement of cash flows

	2016	2015
Finance income	18.8	8.5
Non-cash items	15.8	4.6
Cash items	3.0	3.9
Change in interest receivable	0.2	0.0
Finance income, statement of cash flows	**3.2**	**3.9**
Finance expenses	22.6	37.6
Non-cash items	7.1	23.9
Cash items	15.5	13.7
Change in interest payable	(0.5)	(0.7)
Finance expenses, statement of cash flows	**15.0**	**13.0**

11. Net income

Net income includes foreign exchange losses of € 3.8 million (2015: € 16.4 million). For other items included in net income, see note 8.2.

12. Total other comprehensive income

	2016	2015
Translation differences	9.5	133.3
Tax on translation differences	6.7	16.2
Translation differences, net of taxes	**16.2**	**149.5**
Fair value adjustments of equity investments	0.3	0.6
Items that may be reclassified subsequently to the income statement	**16.5**	**150.1**
Remeasurements of post-employment benefits	(9.1)	(0.6)
Tax on remeasurements of post-employment benefits	2.6	0.0
Items that will not be reclassified to the income statement	**(6.5)**	**(0.6)**
Total comprehensive income, net of taxes	**10.0**	**149.5**

notes to the consolidated balance sheet

13. Property, plant and equipment

	Buildings and land	Computer hardware	Leasehold improvements, furniture and fixtures	Total
Balance at January 1, 2016	**26.7**	**33.4**	**64.8**	**124.9**
Movements in 2016				
Acquisitions of subsidiaries	0.3	14.7	15.0	30.0
Additions	0.2	18.0	44.1	62.3
Disposals	-	(0.7)	(2.7)	(3.4)
Depreciation/impairment	(1.2)	(22.1)	(26.7)	(50.0)
Translation differences	0.4	0.4	0.7	1.5
Balance at December 31, 2016	**26.4**	**43.7**	**95.2**	**165.3**
Cost	63.4	277.7	444.3	785.4
Accumulated depreciation and impairment	37.0	234.0	349.1	620.1
Balance at December 31, 2016	**26.4**	**43.7**	**95.2**	**165.3**
Balance at January 1, 2015				
Cost	59.6	186.4	404.9	650.9
Accumulated depreciation and impairment	32.6	151.3	338.2	522.1
	27.0	**35.1**	**66.7**	**128.8**
Movements in 2015				
Acquisitions of subsidiaries	-	0.1	0.5	0.6
Additions	-	17.1	24.9	42.0
Disposals	-	(1.6)	(2.9)	(4.5)
Depreciation	(1.5)	(18.2)	(25.8)	(45.5)
Translation differences	1.2	0.9	1.4	3.5
Balance at December 31, 2015	**26.7**	**33.4**	**64.8**	**124.9**
Cost	62.0	179.2	359.8	601.0
Accumulated depreciation and impairment	35.3	145.8	295.0	476.1
Balance at December 31, 2015	**26.7**	**33.4**	**64.8**	**124.9**

Based on appraisals made by independent and expert appraisers, the estimated fair value of buildings and land is € 10 to € 15 million higher than the carrying amount. The fair value represents the market value, taking into account that the property is in a rented status.

Included under depreciation/impairment is an impairment of computer hardware of € 3.5 million, as a result of a redesign of our IT strategy.

In the consolidated statement of cash flows, proceeds from the sale of property, plant and equipment comprise:

Proceeds from disposals

	2016	2015
Net book value of disposals	3.4	4.5
Loss on disposals	(0.2)	(0.3)
Disposals of property, plant and equipment, statement of cash flows	**3.2**	**4.2**

Accounting policy
Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

Land is not depreciated. Depreciation on other property, plant and equipment is charged to operating expenses and/or cost of services on a straight-line basis over their estimated useful lives, from the date they are available for use.

The residual values and useful lives are reviewed as at each balance sheet date and adjusted, if appropriate.

Gains and losses arising on disposal are included in the income statement under other general and administrative expenses.

Estimated useful lives of property, plant and equipment

on average

	Term
Buildings	33 years
Computer hardware	4 years
Leasehold improvements	5 years
Furniture and fixtures	4-5 years

Leasehold improvements are depreciated over the term of the initial lease, in the event that this term is shorter than five years.

Impairments, if any, are mainly caused by the discontinuation of outlets. The net book value of leasehold improvements and other furniture and fixtures is impaired to the recoverable amount, based on each individual case. The recoverable amount tends to be zero.

14. Software

	2016	2015
Cost	295.3	263.7
Accumulated amortization and impairment	249.5	225.1
Balance at January 1	**45.8**	**38.6**
Acquisitions of subsidiaries	9.7	-
Additions	34.9	25.2
Amortization	(24.1)	(19.2)
Translation differences	0.9	1.2
Balance at December 31	**67.2**	**45.8**
Cost	400.6	295.3
Accumulated amortization and impairment	333.4	249.5
Balance at December 31	**67.2**	**45.8**

Accounting policy

Acquired software (licenses) and developed software are stated at cost less accumulated amortization and impairment losses.

Expenditures in relation to the development of identifiable and unique software products used by the Group, and which will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets and amortized over their estimated useful lives. Capitalized costs include employee costs of software development and an appropriate portion of relevant overhead.

Expenditures associated with maintaining computer software programs are recognized as an expense when incurred.

Amortization of software applications is charged to operating expenses and/or cost of services on a straight-line basis over their estimated useful lives, from the date they are available for use.

The residual values and useful lives are reviewed as at each balance sheet date and adjusted, if appropriate.

The estimated useful life for software is 3 to 5 years. Acquired computer software licenses are amortized on a straight-line basis over their useful lives of 3 to 5 years or, if the license period is shorter than 3 years, over this shorter period.

Impairments, if any, are mainly caused by the discontinuation of software applications, which in the Group generally relate to front- and/or back-office applications. The net book value of software is impaired to its recoverable amount, which tends to be zero, based on each individual case.

15. Acquisition-related intangible assets

	Customer relationships	Brand names	Candidate databases	Technology	Total
Balance at January 1, 2016	**85.6**	**7.6**	**-**	**15.3**	**108.5**
Movements in 2016					
Acquisition of subsidiaries	101.2	82.4	92.8	52.9	329.3
Amortization	(69.0)	(10.1)	(8.2)	(4.2)	(91.5)
Translation differences	(0.4)	2.3	2.7	2.3	6.9
Balance at December 31, 2016	**117.4**	**82.2**	**87.3**	**66.3**	**353.2**
Cost	279.8	92.9	95.7	71.4	539.8
Accumulated amortization and impairment	162.4	10.7	8.4	5.1	186.6
Balance at December 31, 2016	**117.4**	**82.2**	**87.3**	**66.3**	**353.2**
Balance at January 1, 2015					
Cost	1,083.5	-	-	-	1,083.5
Accumulated amortization and impairment	899.7	-	-	-	899.7
	183.8	**-**	**-**	**-**	**183.8**
Movements in 2015					
Acquisition of subsidiaries	20.5	7.9	-	15.6	44.0
Amortization	(126.2)	(0.5)	-	(0.6)	(127.3)
Translation differences	7.5	0.2	-	0.3	8.0
Balance at December 31, 2015	**85.6**	**7.6**	**-**	**15.3**	**108.5**
Cost	777.2	8.1	-	15.9	801.2
Accumulated amortization and impairment	691.6	0.5	-	0.6	692.7
Balance at December 31, 2015	**85.6**	**7.6**	**-**	**15.3**	**108.5**

Accounting policy
Acquisition-related intangible assets (customer relationships (including franchise agreements), brand names, candidate databases, and developed technology) that are acquired by the Group are stated at cost less accumulated amortization and impairment losses.

When an intangible asset is acquired in a business combination, its cost is the fair value at the date of its acquisition. This cost is determined on a basis that reflects an amount that the entity would have paid for the asset in an arm's length transaction between knowledgeable and willing parties, based on the best information available. If the fair value cannot be measured reliably, the asset is not recognized as a separate intangible asset, but is included in goodwill.

Amortization of acquisition-related intangible assets is charged to total operating expenses on a straight-line basis over their estimated useful lives, from the date they are available for use. If the asset is fully amortized, the at cost value is reversed against accumulated amortization.

The residual values and useful lives are reviewed as at each balance sheet date and adjusted, if appropriate.

The estimated useful life of customer relationships is 4 to 8 years, of brand names 1 to 10 years, of candidate databases 2 to 3 years, and of technology 5 to 6 years.

Technology relates to the software platforms acquired in acquisitions and in use as an integral part of our business activities.

Impairments, if any, can be the result of either the evidence that the assumptions for determining the estimated useful lives are incorrect or the annual impairment test of the cash-generating unit (or operating segment) to which the acquisition-related intangible assets are related.

16. Financial assets

Investments in financial assets are divided into various categories. Classification of these investments depends on the purposes for which the investments have been acquired. Management determines the classification at the time of the purchase and re-evaluates such designation at each subsequent balance sheet date.

As at December 31, 2016, management decided to present the French housing loans under 'Loans and receivables' (instead of separately as 'Held-to-maturity investments'). This classification on the balance sheet has no effect on valuation or the income statement.

Purchase and sale of financial assets are recognized on the settlement date, which is the date an asset is delivered to or by the Group. The cost of financial assets includes transaction costs.

Financial assets

	2016	2015
Loans and receivables	413.3	362.8
Equity investments	22.3	13.3
	435.6	376.1

16.1 Loans and receivables

	2016	2015
Loans	97.9	90.7
CICE receivable	315.4	272.1
Loans and receivables	**413.3**	**362.8**

Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest method.

Loans and receivables are neither past due nor impaired. These financial assets have counterparties such as governmental or semi-governmental bodies.

The Group does not hold any collateral as security.

Loans and receivables comprise financial assets relating to our French subsidiaries.

16.1.1 Loans

Loans

	2016	2015
Balance at January 1	**97.4**	**92.1**
Additions at fair value	6.2	5.4
Redemptions	(7.0)	(3.9)
Interest due to passage of time	3.8	3.8
Balance at December 31	**100.4**	**97.4**
Non-current portion	97.9	90.7
Current portion	2.5	6.7
	100.4	**97.4**

Loans represent 'housing loans' that are granted interest-free by the French subsidiaries annually in relation to legal arrangements for payment of certain social security charges. These annual loans have a repayment term of 20 years each. These investments have an average remaining term of 12 years (2015: 12 years) and an effective interest rate of 4.1% (2015: 4.1%). The nominal value of held-to-maturity investments amounts to € 144 million (2015: € 143 million) and best represents the maximum exposure to credit risk. As at December 31, 2016, the fair value was approximately € 30 million higher than the carrying amount (2015: € 26 million).

The difference between additions at nominal value (€ 8.1 million) and at fair value is recognized in cost of services, and amounts to € 1.9 million (2015: € 7.7 million and € 2.3 million respectively).

16.1.2 CICE receivable

CICE receivable

	2016	2015
Balance at January 1	**272.1**	**170.2**
Additions at fair value	110.3	101.5
Interest due to passage of time	0.4	0.4
Balance at December 31	**382.8**	**272.1**
Non-current portion	315.4	272.1
Current portion	67.4	-
	382.8	**272.1**

This financial asset arises from tax credits under the French Competitive Employment Act (CICE). This act is aimed at improving the competitiveness of the French economy and at reducing unemployment. The tax credit is calculated as a percentage of wages and salaries paid to employees with a salary that is less than 2.5 times the French minimum wage. The tax credit can be offset against the income tax liability payable with respect to the calendar year to which the wages relate. Any excess credit on an annual basis can be carried forward and offset against the tax liability during the next three years. Any excess after three years will also be refunded.

This receivable is presented under non-current assets, since the amount is expected to have a maturity of longer than one year, due to the combined effect of the legal regulations of the CICE arrangements and the income tax situation of our French operations, except for the part that originates from 2013 and is due in 2017, which is presented under current receivables. The total receivable of € 382.8 million as at December 31, 2016, is ultimately due in 2017 (€ 67.4 million), in 2018 (€ 96.7 million), in 2019 (€ 101.4 million), in 2020 (€ 107.3 million), and in 2021 (€ 10.0 million). In the statement of cash flows, the yearly additions at fair value of the CICE receivable are presented in 'other non-cash items' under cash flow from operating activities, since the CICE arrangements are considered to be related to the operating activities. The nominal value of the receivable amounts to € 382.8 million (2015: € 273.0 million), which best represents the maximum exposure to credit risk. As at December 31, 2016, the carrying amount equals the fair value.

16.2 Equity investments

Equity investments

	2016	2015
Balance at January 1	**13.3**	**5.3**
Fair value adjustments	(0.3)	0.6
Net additions	9.3	7.4
Balance at December 31	**22.3**	**13.3**

Equity investments are minority participations in early-stage to expansion-stage companies that are considered strategically relevant to Randstad. The typical investment amounts range between € 0.5 million and € 5 million. The Group has no significant influence over these investments. These investments are qualified as 'fair-value through other comprehensive income'-investments, and if no reliable fair-value measurements are available, valued at cost. All investments are considered non-current.

During the year 2016 the Group acquired 100% of the shares of in one of its equity investments, 'twago' (Germany). See note 6 for general information on business combinations.

The carrying amount of this equity investment at the moment of acquisition of 100% of the shares (€ 1.4 million), including any fair value adjustments, is included as part of the consideration for this subsidiary. The fair value adjustment at the moment of the acquisition of 100% of the shares resulted in a loss of € 0.6 million, that is recognized under net finance costs.

The fair value of one of the investments was increased by € 0.3 million (2015: € 0.6 million). This was based on a share transaction and other market information.

16.3 Impairment of financial assets

The carrying amounts of all financial assets in this note are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount is impaired. If objective evidence exists that a financial asset or group of financial assets is impaired, the amount of the impairment loss is calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). The resulting impairment loss is immediately recognized in net finance costs.

An impairment loss on financial assets is reversed if, in a subsequent period, the amount of the impairment loss decreases and this decrease can be related objectively to an event occurring after the impairment loss was recognized. Such reversal is immediately recognized in net finance costs.

17. Associates

	2016	2015
Balance at January 1	**-**	**1.6**
Acquisitions of subsidiaries	19.1	-
Share in profit	(0.8)	0.7
Additions	0.3	-
Disposals	-	(2.3)
Translation differences	0.5	-
Balance at December 31	**19.1**	**-**

As at December 31, 2016, the Group has investments in associates of € 19.1 million. The largest associate is a 16.66% shareholding in Alma Career OY, Finland, which came with the acquisition of Monster Worldwide. The total assets and liabilities of associates amounted to approximately € 108 million and € 29 million respectively as at December 31, 2016. Total revenue in 2016 amounted to € 57 million. Our share in profit was negative € 0.8 million.

During 2015, the Group disposed of its then held associates. The gain on disposal (€ 6.1 million) and our share in profit

(€ 0.7 million) were included in the statement of comprehensive income in 'share in profit and result on disposal of associates'. The disposal resulted in a cash in-flow of € 8.4 million.

Accounting policy
Associates are companies over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method and are initially recognized at cost. The Group's investment in associates includes goodwill on acquisition, net of any accumulated impairment losses.

The Group's share of the post-acquisition profits and losses of the associates is recognized as share in results of associates, and its share of post-acquisition movements in other comprehensive income of the associates, is recognized in other comprehensive income, with a corresponding effect to the carrying amount of the associate.

18. Trade and other payables

	2016	2015
Trade payables	455.0	306.1
Other taxes and social security premiums	1,047.8	1,028.4
Pension contributions	15.4	13.0
Wages, salaries and other personnel costs	1,287.2	1,036.5
Other accruals	474.0	384.6
Deferred income	118.1	43.3
	3,397.5	**2,811.9**

Trade and other payables are initially stated at fair value. Subsequent measurement is at amortized cost, using the effective interest method.

19. Total equity and dividends per share

19.1 Shareholders' equity

19.1.1 Authorized and issued capital

Authorized capital is € 106 million (2015: € 106 million) and consists of 350,000,000 (2015: 350,000,000) ordinary shares with a nominal value of € 0.10, a further 106,000 (2015: 106,000) type-A preference shares with a nominal value of € 500, 30,000,000 (2015: 30,000,000) type-B preference shares with a nominal value of € 0.10, and 150,000,000 (2015: 150,000,000) type-C preference shares with a nominal value of € 0.10.

At year-end, issued share capital consists of 183,023,267 ordinary shares (2015: 183,019,235), 25,200,000 type-B preference shares (2015: 25,200,000), and 50,130,352 (2015: 50,130,352) type-C preference shares.

For information regarding the rights, preferences and restrictions on each type of share, see 'Voting rights', in the corporate governance section on page 108.

The current conditions of the preference shares are such that the holders of these shares receive a dividend at the company's discretion, that dividend is preferred and cumulative, and that the voting rights are one vote per 7 type-B preference shares, and one vote for each € 25 capital payment for type-C preference shares, resulting in 0.1117 vote per share on average.

The dividend on preference shares is reviewed every seven years. The last review on type-B preference shares took place in November 2012, and the dividend was set at € 0.177 per preference share. The dividend on type-C preference shares was set at 5.8% of the capital contribution. The next review of the dividend will take place in November 2019. Only the Executive Board can propose to the Annual General Meeting of Shareholders to decide that preference shares be repaid.

Number of outstanding ordinary and preference shares

(x 1,000)

	2016		2015	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
January 1	**183,019**	**75,330**	**180,110**	**75,330**
Stock dividend	-	-	2,728	-
From share-based compensation arrangements	4	-	181	-
December 31	**183,023**	**75,330**	**183,019**	**75,330**

As at December 31, 2016, the company holds 595,141 treasury shares (2015: 896,335).

Accounting policy
Ordinary and preference shares are classified as equity. The distribution of the dividend on ordinary and preference shares is recognized as a liability in the period in which these dividends are adopted by the company's shareholders.

On the issue of new shares or on the extension of the term of preference shares outstanding, the proceeds less directly attributable costs are recognized in shareholders' equity within issued capital and, if applicable, within share premium.

On the purchase of ordinary shares that are included in shareholders' equity, the consideration paid, including directly attributable costs, is recorded as a change in shareholders' equity. Purchased ordinary shares are classified as treasury shares and presented as a deduction from shareholders' equity under reserves.

On the sale (or re-issue) of treasury shares, the proceeds less directly attributable costs are recognized under treasury shares for the original consideration paid; the remainder is recognized as a change in retained earnings.

19.1.2 Share premium

At year-end, share premium consists of € 1,972.4 million share premium on ordinary shares (2015: € 1,972.2 million) and € 298.3 million share premium on preference shares (2015: € 298.3 million).

19.1.3 Translation reserve

The translation reserve comprises all translation differences arising from the translation of the net investment in activities in currencies other than the euro, as well as translation differences of financial liabilities designated as hedges of such investments, to the extent that the hedge is effective. Such translation differences are recognized initially in other comprehensive income and presented in this separate component of shareholders' equity. If the net investment is disposed, these translation differences are recognized in the statement of comprehensive income. The translation reserve also includes the tax effect on translation differences.

19.1.4 Share-based compensations reserve

The share-based compensations reserve comprises the value of vested rights in respect of share-based compensation arrangements as far as stock options have not been exercised or performance shares have not been allocated.

The company has various share-based compensation arrangements. Additional information about these arrangements is given in note 23. The income statement includes an amount of € 31.3 million (2015: € 29.1 million) for share-based compensations.

At year-end 2016, 1.9 million performance options and performance shares (2015: 2.3 million) are outstanding. Upon exercise of stock options or allocation of performance shares, this will lead to the issuance of the same number of new ordinary shares or re-issue of treasury shares.

19.1.5 Employee benefits reserve

The employee benefits reserve comprises the cumulative remeasurements of post-employment benefit obligations as from January 1, 2013 (implementation of amended IFRS standard IAS 19 'Employee benefits'). The amounts are net of corporate taxes.

19.1.6 Other reserve

The other reserve comprises remeasurements in respect of investments relating to 'fair value through other comprehensive income'.

19.1.7 Other information

See note 7 to the company financial statements for the restrictions on the distribution of dividends and the repayment of capital.

Additional information about shareholders' equity is included in the consolidated statement of changes in equity.

19.2 Dividends on ordinary and preference shares

Dividends on ordinary and preference shares

	Dividend related to		
	2016	2015	2014
Ordinary shares			
- Dividend paid during 2015			81.5
- Stock dividend during 2015			150.6
- Dividend paid during 2016		307.2	
- Dividend 2016 proposed	345.9		
Preference shares			
- Dividend paid during 2015			12.6
- Dividend paid during 2016		12.6	
- Dividend 2016 proposed	12.6		

19.2.1 Proposed profit appropriation

At the Annual General Meeting of Shareholders, to be held on March 30, 2017, the Executive Board, with the approval of the Supervisory Board, will propose that a dividend of € 1.89 per ordinary share be paid for the year 2016; for preference shares B and C it will be proposed by the Executive Board, with the approval of the Supervisory Board, that a dividend of € 4.5 million and € 8.1 million be paid respectively. It is further proposed that € 229.5 million be added to retained earnings.

19.2.2 Dividends 2015 and 2014

The 2015 dividend on ordinary shares, paid in 2016, had been determined at € 1.68 per share and was paid fully in cash.

For 2014, shareholders were given a choice between cash and shares. This choice resulted in a cash dividend of € 81.5 million and a stock dividend of € 150.6 million, based on the volume-weighted average share price of approximately € 42.79. These amounts were paid in 2015.

19.3 Non-controlling interests

The additions in 2016 of non-controlling interests result from the acquisition of subsidiaries. In addition, transactions took place in 2016 with non-controlling interests without a change of control (2015: no transactions), which resulted in an amount of € 0.1 million charged to equity, while the cash consideration amounted to € 0.2 million.

Accounting policy
Non-controlling interests represent the net assets not held by the Group and are presented within total equity in the consolidated balance sheet as a separate category. Profit or loss and each component of other comprehensive income are attributed to the equity holders and to the non-controlling interests.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For acquisitions of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity as long as control of the subsidiary is maintained.

Additional information about non-controlling interests is included in the consolidated statement of changes in equity.

20. Other liabilities

	2016	2015
Balance at January 1	**21.5**	**19.5**
Deferred considerations in acquired subsidiaries	0.9	-
Changes in value	(3.9)	(0.4)
Deferred compensations from acquired subsidiaries	2.6	0.3
Interest due to passage of time	1.0	1.0
Translation differences	(2.8)	1.1
Balance at December 31	**19.3**	**21.5**
Non-current portion	12.6	14.5
Current portion	6.7	7.0
	19.3	**21.5**

The effective interest rate amounts to 5.0% (2015: 5.0%).

For the year 2015, the line 'deferred compensations from acquired subsidiaries' in the amount of € 0.3 million positive includes a payment of € 0.3 million relating to acquisitions in preceding years and relates for an amount of € 0.6 million to deferred compensation on 2015 acquisitions.

Accounting policy
Other liabilities mainly include liabilities arising from arrangements with the previous owners of acquired companies who still hold a non-controlling interest ('deferred considerations') and deferred payments from other business combinations.

With respect to these arrangements, the Group has entered into put and call options with the holders of these non-controlling interests. The put option gives the minority shareholder the right to sell its non-controlling interest to the Group. The call option gives the Group the right to purchase the non-controlling interest. The option exercise price is determined by a contractually agreed formula that is based mainly on the future results of the company involved.

The liability is initially stated at fair value. Subsequent measurement is at amortized cost, using the effective interest method. The value is determined by means of the present value of the expected cash outflows to settle the liability, based on projected results. The discount rate used in discounting the expected cash outflows is based on an interest rate that reflects the current market assessment of the time value of money, taking into account the expected settlement of these liabilities.

In line with the nature of the put option, the liability is classified as short term, except for the part that can only be exercised after one year. Changes in the value of these liabilities (also including interest due to passage of time), as well as differences upon settlement between the actual cash outflow and the expected cash outflow, are accounted for in net finance costs. The companies acquired under these arrangements are fully consolidated, with no recognition of a non-controlling interest.

notes to the consolidated statement of cash flows

21. Statement of cash flows

The statement of cash flows has been prepared applying the indirect method. Cash in the statement of cash flows comprises cash and cash equivalents, as well as current borrowings, because current borrowings form an integral part of the Group's cash management.

Cash flows in foreign currencies have been translated, in principle, at average exchange rates; certain material (mainly financing) transactions are translated at the exchange rate at the day of translation. Exchange differences concerning cash items are shown separately in the statement of cash flows. Income taxes paid/received are included in the cash flow from operating activities. Finance income received, finance expenses paid, and dividends paid are included in the cash flow from financing activities.

The purchase price of acquisitions paid, as well as the selling price of disposed subsidiaries received, is included in cash flow from investing activities. This purchase price paid, as well as the selling price received, is included in the statement of cash flows net of net cash acquired or disposed of respectively. Changes in assets and liabilities resulting from the acquisition and disposal of subsidiaries are taken into account in the calculation of the consolidated cash flows.

The majority of the items in the consolidated statement of cash flows are individually cross-referenced to the relevant notes to the consolidated statement of comprehensive income and the balance sheet. For the remainder of the material items, the reconciliation between amounts as included in the consolidated statement of cash flows and related amounts in the statement of comprehensive income and the balance sheet is shown in this note.

Currency differences on cash items are presented in the line 'translation and currency gains'.

21.1 Cash

Cash

	2016	2015
Cash and cash equivalents	385.8	133.5
Current borrowings	(438.6)	(182.1)
	(52.8)	**(48.6)**

21.2 Trade and other receivables

Trade and other receivables

	2016	2015
Trade and other receivables as at January 1	**3,435.7**	**3,077.9**
Adjusted for:		
Current part of loans and receivables	(6.7)	(3.7)
Deferred receipts relating to disposed Group companies	0.0	(0.2)
Interest receivable	(0.1)	(0.1)
Operating working capital assets as at January 1	**3,428.9**	**3,073.9**
Acquisition of subsidiaries	347.0	4.4
Disposal of subsidiaries	(0.9)	(0.2)
Translation gains	(37.1)	80.2
Statement of cash flows	366.4	270.6
Operating working capital assets as at December 31	**4,104.3**	**3,428.9**
Adjusted for:		
Current part of CICE receivable	67.4	-
Current part of other loans and receivables	2.5	6.7
Deferred receipts relating to disposed Group companies	-	0.0
Interest receivable	0.0	0.1
Balance as at December 31	**4,174.2**	**3,435.7**

21.3 Trade and other payables

Trade and other payables

	2016	2015
Trade and other payables as at January 1	**2,811.9**	**2,589.9**
Adjusted for:		
Interest payable	(4.4)	(3.7)
Operating working capital liabilities as at January 1	**2,807.5**	**2,586.2**
Acquisition of subsidiaries	423.4	7.1
Disposal of subsidiaries	(0.3)	0.6
Translation losses	(35.3)	64.9
Statement of cash flows	196.9	148.7
Operating working capital liabilities as at December 31	**3,392.2**	**2,807.5**
Adjusted for:		
Interest payable	5.3	4.4
Trade and other payables as at December 31	**3,397.5**	**2,811.9**

21.4 Other non-cash items

Other non-cash items

	2016	2015
CICE receivable	(110.3)	(101.5)
Loans	1.9	2.3
Statement of cash flows	**(108.4)**	**(99.2)**

For the CICE receivable, see note 16.1.2.

21.5 Corporate income taxes paid

Corporate income taxes paid

	2016	2015
North America	6.1	8.4
Netherlands	24.8	25.9
France	38.7	35.1
Germany	(3.9)	5.2
Belgium & Luxembourg	3.2	15.9
Iberia	6.2	6.6
United Kingdom	1.6	0.9
Other European countries	31.8	9.9
Rest of the world	23.6	19.5
Corporate	27.7	(22.0)
Total	**159.8**	**105.4**

Corporate income taxes paid in North America are relatively low as a result of accumulated net operating losses that are offset against taxable income.

Randstad Holding and its Dutch subsidiaries form a fiscal unity for corporate income tax. The fiscal unity received a tax refund in 2015.

In Other European countries, additional corporate income taxes were paid in Sweden and Italy due to the consolidation of newly acquired companies in 2016 and higher profitability of existing companies in Italy, Sweden and Poland.

21.6 Free cash flow

Free cash flow comprises net cash from operating and investing activities, excluding the acquisition and disposal of subsidiaries/activities, of equity investments, and of associates:

Free cash flow

	2016	2015
Net cash from operating activities	559.7	565.6
Net cash from investing activities	(675.8)	(150.7)
	(116.1)	**414.9**
Acquisition of subsidiaries/activities, equity investments and associates	581.4	96.4
Disposal of subsidiaries/activities and associates	(0.7)	(12.5)
Free cash flow	**464.6**	**498.8**

other notes to the consolidated financial statements

22. Subsidiaries

22.1 Overview of major subsidiaries, as per December 31, 2016

North America
- Randstad North America Inc, United States
- Randstad Professionals US LP, United States
- RiseSmart Inc., United States
- Monster Worldwide Inc., United States
- Randstad Intérim Inc., Canada

France
- Randstad SAS
- Atoll SASU

The Netherlands
- Randstad Nederland bv
- Tempo-Team Group bv
- Yacht Group Nederland bv
- Randstad Sourceright International bv
- Randstad Sourceright EMEA bv

Germany
- Randstad Deutschland GmbH & Co KG [1]
- Randstad Automotive GmbH & Co KG [1]
- GULP Solution Services GmbH & Co KG [1]
- Tempo-Team Personaldienstleistungen GmbH
- GULP Information Services GmbH

Belgium & Luxembourg
- Randstad Belgium nv
- Tempo-Team nv, Belgium
- Randstad Interim sa, Luxembourg

United Kingdom
- Randstad CPE Limited
- Randstad Financial & Professional Limited
- Randstad Technologies Limited
- Randstad Sourceright Limited
- Randstad Employment Bureau Limited

Iberia
- Randstad Empleo, Empresa De Trabajo Temporal S.A. Sociedad Unipersonal, Spain
- Randstad Recursos Humanos, Empresa de Trabalho Temporario S.A., Portugal

Other European countries
- Randstad Austria GmbH
- Randstad sro, Czech Republic
- Randstad A/S, Denmark
- Randstad AE, Greece
- Randstad Hungary Kft, Hungary
- Randstad Italia SPA, Italy
- O(biettivo) L(avoro) Group Srl, Italy
- Randstad Norway AS, Norway
- Randstad Polska Sp. z.o.o., Poland
- Randstad sro, Slovakia
- Randstad AB, Sweden
- Proffice AB, Sweden
- Randstad Schweiz AG, Switzerland
- Randstad Work Solutions Istihdam ve İnsan Kaynakları Ltd. Şti., Turkey

Rest of the world
- Sesa Internacional S.A., Argentina
- Randstad Pty Ltd, Australia
- Randstad Brasil Recursos Humanos Ltda, Brazil
- Randstad Chile S.A., Chile
- Talent Shanghai Co. Ltd, China
- Randstad Hong Kong Limited, Hong Kong
- Randstad India Private Ltd, India
- Randstad KK, Japan
- Careo Holding KK, Japan
- Randstad Sourceright Sdn. Bhd., Malaysia
- Randstad Mexico S. de R.L. de CV, Mexico
- Randstad Limited, New Zealand
- Randstad (PTE) Limited, Singapore
- Sesa Select Uruguay, Uruguay

Other subsidiaries
- Randstad Holding Nederland bv, the Netherlands
- Randstad Finance GmbH, Switzerland

A list of all subsidiaries has been filed at the Chamber of Commerce in Amsterdam ('Kamer van Koophandel', Amsterdam; Chamber of Commerce number 33216172). Randstad Holding nv has, directly or indirectly, a 100% interest in all subsidiaries (by way of legal ownership of the shares or by way of economic ownership of the shares (put-call option arrangements) for a limited number of companies), unless stated otherwise.

1 The fully consolidated German subsidiaries mentioned above exercise simplification options in accordance with Article 264.b of the German Commercial Code ('HGB').

22.2 Subsidiaries
Subsidiaries are companies controlled by Randstad Holding nv. Control exists when Randstad is exposed to or has rights to variable returns from its involvement with subsidiary companies and has the ability to influence those returns through its power over the subsidiary, generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are consolidated from the date that such control commences until the date that it ceases.

Intragroup balances and intragroup transactions are eliminated, as well as any unrealized gains from these transactions. Unrealized losses from intragroup transactions are also eliminated, unless there is evidence of impairment of the assets transferred. Intercompany transactions take place on an arm's length basis.

22.3 Financial statements of Group companies
Upon translation of foreign activities, the assets and liabilities of operations in currencies other than the euro, including goodwill and fair-value adjustments arising on consolidation, are translated into euros at the foreign exchange rates at the balance sheet date. The income statements of these operations in currencies other than the euro are translated into euros at average exchange rates.

Upon the acquisition of a subsidiary that has a currency other than the euro, balance sheet items are translated into euros at the foreign exchange rates at the acquisition date.

22.4 Net investment in subsidiaries that have a currency other than the euro
The net investment in subsidiaries that have a currency other than the euro includes the participation in the net assets of these subsidiaries, and, if applicable, loans to these subsidiaries, settlement of which is neither planned nor expected to occur in the foreseeable future.

Translation differences that occur upon consolidation, relating to the translation of the net investment in subsidiaries that have a currency other than the euro, are recognized in other comprehensive income and presented in the (foreign currency) translation reserve, a separate component within equity, as are translation differences of financial liabilities designated as hedges of such investments (net investment hedge), to the extent that the hedge is effective. The gain or loss relating to the ineffective portion is recognized immediately in net finance costs.

If the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation differences is allocated to the non-controlling interests.

Whenever a foreign operation is disposed of, these translation differences are released or charged to the statement of comprehensive income as part of the gain or loss on disposal.

23. Share-based compensations

The company has various share-based compensation arrangements that are settled in ordinary shares. The fair value of these share-based compensations, calculated on grant date, is based on valuation models, taking into account relevant market conditions and non-vesting conditions. The fair value is included in personnel expenses in the vesting period during which the expected employee services are received. The same amount is credited to shareholders' equity.

At each balance sheet date, the company reassesses its estimates of the non-market vesting conditions under these share-based compensation arrangements. The impact of the revision on original estimates with respect to the past vesting period, if any, is recognized in personnel expenses immediately, with a corresponding adjustment to shareholders' equity.

Within the Group, a number of share-based compensation arrangements are in effect: performance share plans for Executive Board members, senior management, an advisory board share plan, and a share purchase plan for all corporate employees.

The actual annual grant of performance shares will, in principle, not exceed 1% of the ordinary issued capital. However, depending on the realization of related performance targets and the company's actual share price, the number of shares to be issued in relation to vesting of the performance shares might in a certain year exceed the 1% limit.

23.1 Performance share plans

23.1.1 Executive Board performance share plan
As from 2007, conditional performance shares have been granted annually to the members of the Executive Board. The plan has a term of three years. The number of shares to vest depends on the company's TSR performance compared to a peer group of nine companies measured over a three-year period starting on January 1 of the year of grant. As of 2013, the number of shares to vest also depends on achieving certain sustainability performance targets.

All performance share plans are equity-settled. The fair value is determined as at the date of each grant, based on a Monte Carlo simulation model.

Volatility of the shares of the peer companies, as well as the pair-wise correlation between all peer shares, is estimated on the basis of historical daily prices over three years. Estimated dividends of the peer companies are based on historical dividends.

The fair value is charged to the income statement during the vesting period, based on the on-target awards of the TSR part of each plan and on the expected outcome of the sustainability performance targets.

At each balance sheet date, the non-market conditions (attrition and sustainability performance) are reassessed; any adjustment is charged to the income statement. As of 2013, the company uses treasury shares to allocate vested shares.

The shares yet to be vested of a Board member who resigns from the Group within the three-year vesting period will, in principle, be forfeited.

23.1.2 Senior management performance share plan

As from 2007, conditional performance shares have also been granted to a limited group of senior management on terms and conditions that are identical to those of the Executive Board, except for the fact that, for the years 2013 and 2014, the number of shares to vest solely depends on the company's TSR performance.

The performance shares 2013 of Executive Board and senior management vested in early 2016, based on relative TSR performance and reaching certain sustainability targets of the company, resulting in 1,028,697 shares being vested (share price at allocation date of € 47.20), compared to an on-target award of 894,735 shares.

The expenses charged to the 2016 income statement amount to € 25.6 million (2015: € 23.6 million).

23.1.3 Advisory Board share plan

Members of the Advisory Board are granted conditional shares on an annual basis. The plan has a term of three years, and vesting of shares only depends on rendering of employee services during the vesting period. The fair value is charged to the income statement during the vesting period.

Parameters used for fair-value determination

	2016	2015	2014
Share price at grant date	€ 47.20	€ 52.88	€ 45.05
Expected volatility, based on historical prices over the three-year period to the valuation date	28%	26%	32%
Expected dividends	2.3%	2.3%	2.2%
Risk-free interest rate (yield on Dutch government bonds)	(0.2%)	0.1%	0.6%

The Advisory Board share plan 2013 vested in early 2016, resulting in 8,115 shares being vested (share price at allocation date of € 47.20), compared to an on-target award of 8,115 shares.

The expenses charged to the 2016 income statement amount to € 0.5 million (2015: € 0.4 million).

Details of all (performance) share plans

	Number of shares (x 1,000) on target					
Year of grant	January 1, 2016	Granted	Forfeitures	Vested in 2016	December 31, 2016	Average fair value at grant date per share (in €)
2013	902	-	0	(902)		24.15
2014	782	-	(31)	-	751	29.83
2015	503	-	(33)	-	470	61.07
2016	-	614	(34)	-	580	43.26
Total	**2,187**	**614**	**(98)**	**(902)**	**1,801**	

23.2 Performance stock option plans

From 2007 to 2012, Executive Board members were granted stock options annually conditional on performance; as of 2008 up to 2012, the options had an exercise price equal to the average trading price of the Randstad shares during three business days before grant date. The options have a term of seven years, and are only exercisable after a period of three years from the date of grant.

On exercise of options, the company issues new shares. Since December 31, 2014, all stock options under these plans have been vested. For an overview of performance stock option plans, see note 24.2.

23.3 Share purchase plan for corporate employees

Under the share purchase plan, participating corporate employees may purchase shares through Stichting Randstad Optiefonds twice a year. The maximum amount to be spent within the plan is set annually at 5% of the participant's fixed annual salary. Employees receive a number of bonus shares equal to a fixed percentage of the number of shares purchased; these bonus shares vest over a period of six months, only if employees hold on to the purchased shares for the same period of six months (on condition that they are still employed by the Group). The bonus is expensed by the company over the vesting period (2016: € 5.2 million; 2015: € 5.1 million). In 2016, a total of 108,812 (2015: 88,202) bonus shares were allocated to employees.

23.4 Total share-based compensations

	2016	2015
Performance share plan	25.6	23.6
Advisory Board share plan	0.5	0.4
Share purchase plan	5.2	5.1
	31.3	**29.1**

24. Related-party transactions

24.1 Key management

The members of the Executive Board and Supervisory Board are considered the key management of the Group.

24.2 Remuneration of the members of the Executive Board

The totals of the remuneration of the members of the Executive Board are included in the income statement.

Leo Lindelauf resigned as a Board member on April 2, 2015. His remuneration has been included up to this date. After resigning from the Board, Leo Lindelauf continued to perform services for the company. The associated costs in 2016 amounted to € 238,000 (2015: € 448,000).

The expenses for performance shares refer to the fair value of share-based payments charged to the income statement for the years 2016 and 2015 respectively.

In the column 'Other benefits/expenses', special wage taxes of € 149,000 (2015: € 119,000) are included, relating to the salary of François Béharel.

The company has not issued any loans, commitments to provide loans, or guarantees to Executive Board members. Pension changes related to Dutch-based Board members include compensation for the limitation of accrual of pension rights in 2016 and 2015.

Executive Board remuneration

x € 1,000

	Fixed compensation				Variable compensation				Other benefits/ expenses		Total	
	Base salary		Pension charge		Short-term cash bonus		Share-based payments					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
J.W. van den Broek	1,000	900	270	243	650	810	1,096	1,027	37	57	3,053	3,037
R.J. van de Kraats	710	690	192	186	462	590	842	909	35	29	2,241	2,404
F. Béharel	624	606	168	164	406	542	739	798	299	340	2,236	2,450
L. Galipeau	717	694	194	187	466	611	739	798	80	62	2,196	2,352
C. Heutink	624	606	168	164	406	572	739	598	28	27	1,965	1,967
L.J.M.V. Lindelauf	-	151	-	41	-	136	-	387	-	15	-	730
Total	**3,675**	**3,647**	**992**	**985**	**2,390**	**3,261**	**4,155**	**4,517**	**479**	**530**	**11,691**	**12,940**

Number of performance stock options outstanding in 2016

	Year of granting	January 1, 2016	Transfer in 2016	Expired in 2016	Exercised in 2016	Share price at exercise	December 31, 2016
J.W. van den Broek	2010	7,083					7,083
	2011	12,614					12,614
	2012	15,382					15,382
R.J. van de Kraats	2010	8,063			(4,032)	49.25	4,031
	2011	14,359					14,359
	2012	17,511					17,511
Total		**75,012**	**-**	**-**	**(4,032)**		**70,980**

Exercise price and expiration date per plan

Year of granting	Exercise price	End of exercise period	Average fair value of grant (date per option in €)
2010	€ 31.39	February 2017	€ 21.04
2011	€ 39.16	February 2018	€ 21.00
2012	€ 28.11	February 2019	€ 11.31

Number of performance shares outstanding in 2016

	Year of award	January 1, 2016	Number of shares on target 2016	Forfeitures in 2016	Performance adjustment at vesting 2016	Vested in February 2016	December 31, 2016
Performance shares							
J.W. van den Broek	2013	31,234			4,640	(35,874)	-
	2014	25,537					25,537
	2015	30,099					30,099
	2016		21,486				21,486
R.J. van de Kraats	2013	35,555			5,282	(40,837)	-
	2014	21,475					21,475
	2015	23,060					23,060
	2016		15,260				15,260
F. Béharel	2013	31,234			4,640	(35,874)	-
	2014	18,864					18,864
	2015	20,258					20,258
	2016		13,405				13,405
L. Galipeau	2013	31,234			4,640	(35,874)	-
	2014	18,864					18,864
	2015	20,258					20,258
	2016		13,405				13,405
C. Heutink	2013	7,711			944	(8,655)	-
	2014	18,864					18,864
	2015	20,258					20,258
	2016		13,405				13,405
Total		**354,505**	**76,961**	**-**	**20,146**	**(157,114)**	**294,498**
Performance shares of former Board members							
B.J. Noteboom	2013	17,598			2,615	(20,213)	-
L.J.M.V. Lindelauf	2013	31,234			4,640	(35,874)	-
	2014	9,433					9,433
Total		**58,265**	**-**	**-**	**7,255**	**(56,087)**	**9,433**

The performance shares 2013 vested in early 2016, based on relative TSR performance of the company and reaching certain sustainability targets over the period January 1, 2013 – December 31, 2015, resulting in an overall vesting of 115% of the on-target award (share price at allocation date of € 47.20).

Final allocation after vesting of conditional shares awarded in 2014, 2015, and 2016 will take place in February 2017, 2018, and 2019 respectively.

The performance shares 2013 of Chris Heutink relate to the performance share plan of senior management.

For the conditions and criteria governing the granting and exercise of stock options and performance shares, see note 23.1.

Number of ordinary shares in Randstad Holding nv held by Executive Board members

as at December 31, 2016

			Locked up	
	Total	Unrestricted shares	Number	Until
J.W. van den Broek	85,929	65,106	3,009	February 2017
			17,814	February 2018
R.J. van de Kraats	38,423	14,719	3,425	February 2017
			20,279	February 2018
F. Béharel [1]	61,259	30,468	30,791	February 2018
L. Galipeau	26,378	7,401	2,650	February 2017
			16,327	February 2018
C. Heutink	4,273	4,273	-	

1 Due to French tax regulations, the number of shares locked up for François Béharel are relatively high.

24.3 Remuneration of the members of the Supervisory Board

Remuneration of the members of the Supervisory Board is included in the income statement.

Supervisory Board remuneration

	2016	2015
Current board members		
W. Dekker, Chairman	128,500	124,500
J. Winter, Vice Chairman	107,500	101,000
B. Borra	94,000	71,797
F. Dorjee	88,500	90,000
H.M.E.V. Giscard d'Estaing	88,500	88,500
G. Kampouri Monnas	91,500	92,000
R. Provoost	88,500	62,250
	687,000	**630,047**
Former board members		
F.W. Fröhlich	-	34,750
B.C. Hodson	-	20,500
Total	**-**	**55,250**

Rudy Provoost and Barbara Borra were appointed on April 2, 2015. Fritz Fröhlich and Beverly Hodson stepped down on April 2, 2015.

As members of the Supervisory Board of the Dutch sub-holding Randstad Holding Nederland bv, Jan Hovers and Willem Vermeend, both former members of the Supervisory Board, received an annual allowance of € 12,500 in 2016 and 2015. Henri Giscard d'Estaing holds 450 ordinary shares in Randstad Holding nv as at December 31, 2016 and 2015.

The company has not issued any loans, commitments to provide loans, or guarantees to members of the Supervisory Board.

24.4 Other related-party transactions

The founder of the Randstad Group has an interest in a legal entity, which, based on the 'Wet financieel toezicht' (Act on Financial Supervision), is registered as a shareholder in Randstad Holding nv in the 30%– 40% category. There were no transactions with this related party, other than the rental of a ship, Clipper Stad Amsterdam, for promotional activities, at an annual rent of approximately € 1.9 million (2015: € 1.9 million).

See note 4.2.2 'Employee benefit obligations' for transactions with company pension funds through which certain pension schemes are operated.

25. Employee benefit obligations

	Defined benefit pension plans			Other post-employment benefits	Other long-term employee benefits	Total
	Obligation	Plan assets	Net			
Balance at January 1, 2016	**184.6**	**(106.8)**	**77.8**	**4.2**	**25.3**	**107.3**
Movements in 2016						
Acquisition of subsidiaries	0.1	-	0.1	5.7	-	5.8
Current service costs, total	22.9	-	22.9	0.3	50.7	73.9
Contributions, employees	-	(7.5)	(7.5)	-	-	(7.5)
Contributions, employers	-	(11.7)	(11.7)	-	-	(11.7)
Withdrawals/benefits paid	(7.4)	6.2	(1.2)	(0.6)	(45.2)	(47.0)
Total amount in statement of cash flows	**15.5**	**(13.0)**	**2.5**	**(0.3)**	**5.5**	**7.7**
Remeasurement results	7.3	1.8	9.1	-	-	9.1
Interest due to passage of time, net	3.2	(1.5)	1.7	0.1	-	1.8
Translation differences	0.9	(0.6)	0.3	-	0.3	0.6
Balance at December 31, 2016	**211.6**	**(120.1)**	**91.5**	**9.7**	**31.1**	**132.3**
Non-current	211.6	(120.1)	91.5	9.5	18.1	119.1
Current	-	-	-	0.2	13.0	13.2
Balance at December 31, 2016	**211.6**	**(120.1)**	**91.5**	**9.7**	**31.1**	**132.3**
Balance at January 1, 2015						
Non-current	171.1	(99.1)	72.0	4.4	14.6	91.0
Current	-	-	-	0.4	17.4	17.8
	171.1	**(99.1)**	**72.0**	**4.8**	**32.0**	**108.8**
Movements in 2015						
Current service costs, total	21.8	-	21.8	(0.1)	32.6	54.3
Contributions, employees	-	(7.1)	(7.1)	-	-	(7.1)
Contributions, employers	-	(10.7)	(10.7)	-	-	(10.7)
Withdrawals/benefits paid	(12.8)	11.7	(1.1)	(0.7)	(39.3)	(41.1)
Total amount in statement of cash flows	**9.0**	**(6.1)**	**2.9**	**(0.8)**	**(6.7)**	**(4.6)**
Remeasurement results	(5.2)	5.8	0.6	-	-	0.6
Interest due to passage of time, net	3.0	(1.7)	1.3	0.2	-	1.5
Translation differences	6.7	(5.7)	1.0	-	-	1.0
Balance at December 31, 2015	**184.6**	**(106.8)**	**77.8**	**4.2**	**25.3**	**107.3**
Non-current	184.6	(106.8)	77.8	3.8	13.3	94.9
Current	-	-	-	0.4	12.0	12.4
Balance at December 31, 2015	**184.6**	**(106.8)**	**77.8**	**4.2**	**25.3**	**107.3**

25.1 Pensions

Defined benefit pension plan schemes

	2016	2015
Defined benefit plan, corporate employees in France	41.2	35.3
Defined benefit plan, corporate employees in Germany	9.7	8.5
Defined benefit plan, corporate employees in Belgium	27.9	22.3
Defined benefit plan, staffing and corporate employees in Switzerland	7.5	6.8
Defined benefit plan, corporate employees in Japan	5.2	4.9
	91.5	**77.8**

The defined benefit pension plans in France and Belgium are final-salary pension plans, which provide benefits to (prior) employees in the form of a guaranteed level of pension payable for life or lump sums upon retirement.

In France, the plan is in addition to State plans. The company is legally required to pay lump sums to employees upon retirement. The amounts are based on the number of years of service in the company and on the base salary according to the collective bargaining agreement in force. The scheme covers all corporate employees within the company.

In Belgium, the pension entitlement of corporate employees is based on the average pensionable salary in the last three years before retirement and is a pension payable for life upon retirement. The employer's contribution is capped at a maximum of 5% of salaries. The plan is organized through a fund that is legally separated from the company. The board of this pension fund is required to act in the interest of the fund and of all relevant stakeholders in the scheme; the investment policy with regard to the assets of the fund is also the responsibility of the board.

Breakdown of obligations for defined benefit pension plans

	2016	2015
Present value of funded obligations	211.6	184.6
Present value of unfunded obligations	-	-
Total present value of obligations	**211.6**	**184.6**
Fair value of plan assets	(120.1)	(106.8)
Liability in the balance sheet	**91.5**	**77.8**

Major categories of plan assets

as a % of fair value of total plan assets

	2016	2015
Cash	2.4%	3.0%
Bonds	35.1%	34.4%
Equity instruments	39.6%	48.2%
Real estate	7.9%	10.1%
Other	15.0%	4.3%
	100.0%	**100.0%**

The actual return on plan assets was € 0.3 million negative (2015: € 4.1 million negative).

Principal actuarial assumptions used for defined benefit pension plans

	2016	2015
Discount rate	0.5%-1.9%	0.7%-2.5%
Expected salary increases	0.0%-3.3%	0.0%-3.5%
Expected pension increases	0.0%-1.8%	0.0%-1.8%

Average life expectancy [1]

in years

	2016	2015
Male	18.4 - 22.5	18.4 - 22.5
Female	22.6 - 26.3	22.6 - 26.3

1 Average life expectancy of an individual retiring at the age of 65 on the balance sheet date.

The assumptions regarding future mortality are based on published statistics and mortality tables in each territory.

The Group expects the 2017 contributions to be paid for defined benefit plans to be approximately € 12.8 million (expectation 2016: € 11.4 million), excluding the impact of acquisitions and disposals.

Risks

The most significant risks related to defined benefit plans are related to:

- Asset volatility: if the plan assets underperform, the yield on (high-quality) corporate bonds, which is the base for setting the discount rate in calculating the plan liabilities, will create a deficit;
- Interest/yield volatility: a decrease will result in an increase in the net plan liabilities;
- Salary volatility: future (expected) salaries are being used in the calculation of the plan liabilities; higher than expected salary increases will result in higher liabilities;
- Life expectancy: in the calculation of the plan liabilities, mortality tables are being used, indicating the life

expectancy of the participants. If life expectancy increases, the plan liabilities will also increase.

Sensitivity
With respect to the provision for pensions, a change in the interest rate of 1 percentage point, with all other variables held constant, would result in a deviation in the range of € 11 to € 15 million (2015: € 9 to € 11 million).

25.2 Employee benefit obligations
For more information on pensions and employee benefit obligations, see note 4.2.2.

26. Number of employees (average)

	2016	2015
Candidates	626,300	597,400
Corporate employees	32,280	29,750
	658,580	**627,150**

Number of employees by segment

	Candidates		Corporate employees	
	2016	2015	2016	2015
North America	109,200	108,800	6,530	6,430
Netherlands	82,500	76,600	4,320	4,150
France	78,200	74,600	3,570	3,460
Germany	47,000	45,800	2,660	2,570
Belgium & Luxembourg	41,900	41,400	1,940	1,890
Iberia	63,200	61,000	1,870	1,750
United Kingdom	14,700	16,000	1,530	1,560
Other European countries	79,600	60,100	4,150	2,820
Rest of the world	110,000	113,100	5,510	4,930
Corporate	-	-	200	190
	626,300	**597,400**	**32,280**	**29,750**

27. Commitments

	2016	2015
Commitments less than 1 year	263.1	197.6
Commitments more than 1 year, less than 5 years	421.9	332.7
Commitments more than 5 years	93.0	42.1
	778.0	**572.4**

Commitments comprise, almost exclusively, lease contracts for branches and lease contracts for IT equipment and automobiles.

No guarantees have been issued other than those relating to commitments regarding rent and leases, and those relating to liabilities that are included in the balance sheet.

28. Auditors' fees

The following auditors' fees were expensed in the income statement in the reporting period:

Auditors' fees

	2016	2015
Audit of the financial statements [1]	3.0	3.0
Audit of the financial statements of subsidiaries by other audit firms	1.5	0.7
Subtotal for audit of the financial statements [2]	**4.5**	**3.7**
Other audit procedures [3]	0.1	0.1
Tax and other services [3]	0.3	0.1
Total	**4.9**	**3.9**

1 The fees listed above relate to the procedures applied to the company and its consolidated Group entities by Deloitte Accountants B.V. as the external auditor referred to in Section 1 (1) of the Dutch Accounting Firms Oversight Act (Wta) as well as by the Deloitte network.
2 Including the audit fees with respect to the local statutory financial statements.
3 The fees listed above relate to the procedures applied to the company and its consolidated Group entities by Deloitte Accountants B.V. as the external auditor referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Wta) (€ 0.1 million), as well as by the Deloitte network.

29. Events after balance sheet date

Subsequent to the date of the balance sheet, the Group acquired 100% of the shares of Sageco (Australia) and BMC (the Netherlands). Sageco is active in the outplacement business and BMC is active in the Professionals segment. The preliminary purchase prices are € 1.2 million and € 67 million respectively.

On January 25, 2017, Randstad France announced it had gained control of Ausy through a successful cash tender offer of € 55 per share. Ausy has become an operational subsidiary of the Randstad Group as of January 31, 2017.

Preliminary purchase price allocations will take place in the first quarter of 2017.

company financial statements

(before profit appropriation for ordinary shares)

Income statement

in millions of €	Note	2016	2015
Net revenue	**2**	**249.8**	**40.4**
Gross profit		**249.8**	**40.4**
Selling expenses		10.6	8.4
General and administrative expenses		71.3	72.1
Total operating expenses		**81.9**	**80.5**
Operating profit / (loss)		**167.9**	**(40.1)**
Finance income		45.9	42.3
Finance expenses		(134.5)	(105.9)
Net finance costs		**(88.6)**	**(63.6)**
Income / (loss) before taxes		**79.3**	**(103.7)**
Taxes on income		(26.3)	22.0
Income from subsidiaries after taxes	4	535.0	600.5
Net income		**588.0**	**518.8**

Balance sheet at December 31

in millions of €	Note	2016	2015
ASSETS			
Software	3	0.6	1.1
Intangible assets		**0.6**	**1.1**
Subsidiaries	4	7,465.6	6,415.9
Long-term loans receivable from subsidiaries	5	806.9	600.0
Financial fixed assets		**8,272.5**	**7,015.9**
Non-current assets		**8,273.1**	**7,017.0**
Receivables	6	91.4	51.2
Income tax receivable		14.2	15.8
Cash and cash equivalents		15.9	0.4
Current assets		**121.5**	**67.4**
TOTAL ASSETS		**8,394.6**	**7,084.4**
EQUITY AND LIABILITIES			
Issued capital		25.8	25.8
Share premium		2,270.7	2,270.5
Legal reserves		257.8	222.7
Other reserves		997.8	823.9
Net income for the year		588.0	518.8
Shareholders' equity	**7**	**4,140.1**	**3,861.7**
Non-current liabilities/borrowings	**8**	**2,298.2**	**1,405.6**
Borrowings	8	252.4	118.9
Trade and other payables	9	1,703.9	1,698.2
Current liabilities		**1,956.3**	**1,817.1**
TOTAL EQUITY AND LIABILITIES		**8,394.6**	**7,084.4**

notes to the company financial statements

(amounts in millions of €, unless stated otherwise)

1 Accounting policies for the company financial statements

The company financial statements of Randstad Holding nv are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code. The company has made use of the possibility based on Article 362, paragraph 8, Part 9, Book 2 of the Dutch Civil Code to prepare company financial statements based on the accounting policies used for the consolidated financial statements.

The subsidiaries are presented in accordance with the equity method.

Receivables are mainly receivables on subsidiaries. The accounting policy on trade and other receivables is included in note 3.2.1 of the notes to the consolidated financial statements.

A summary of the significant accounting policies and a summary of the critical accounting estimates, assumptions and judgments are given in note 2 and note 4 respectively of the notes to the consolidated financial statements.

2. Net revenue

Net revenue comprises charges to subsidiary companies with regard to corporate expense (2016 and 2015), as well as royalty charges (2016).

These (royalty) charges are based on a percentage of revenues of Group companies.

3. Software

Software

	2016	2015
Balance at January 1	**1.1**	**1.5**
Additions	-	0.1
Amortization	(0.5)	(0.5)
Balance at December 31	**0.6**	**1.1**
Cost	2.0	2.0
Accumulated amortization and impairment	(1.4)	(0.9)
Balance at December 31	**0.6**	**1.1**

Additional information with respect to software is given in note 14 of the notes to the consolidated balance sheet.

4. Subsidiaries

	2016	2015
Balance at January 1	**6,415.9**	**5,743.9**
Capital contributions	765.1	453.7
Transfer subsidiaries	-	2.4
Dividend	(269.6)	(545.0)
Net income	535.0	600.5
Share-based compensations, subsidiaries	(9.7)	(3.9)
IAS 19 effects, subsidiaries	(6.5)	(0.6)
Fair value adjustment on equity investment	0.3	0.6
Disposal of non-controlling interest	(0.1)	-
Translation differences	35.2	164.3
Balance at December 31	**7,465.6**	**6,415.9**

See note 22.1 of the notes to the consolidated financial statements for an overview of the major subsidiaries.

5. Long-term loans receivable from subsidiaries

This mainly relates to various loans to subsidiaries that are issued with maturity dates from July 2018 to July 2019. The average interest on all loans is 5.6% (2015: 6.3%).

6. Receivables

	2016	2015
Receivables from subsidiaries	85.0	46.2
Other receivables	6.4	5.0
	91.4	**51.2**

7. Shareholders' equity

Additional information is given in the consolidated statement of changes in equity and in note 19 of the notes to the consolidated financial statements.

7.1 Legal reserves

Based on Dutch law, a legal reserve needs to be established for currency translations, fair-value adjustments, and capitalized costs of development of software. The legal reserve cannot be used for dividend distribution and is therefore restricted in usage.

Legal reserves

	2016	2015
Translation reserve	220.7	204.5
Developed software	36.2	17.6
Fair value reserve	0.9	0.6
	257.8	**222.7**

Movements during 2016 relate to translation gains and to the net balance of capitalization and amortization of software developed in-house.

7.2 Other reserves

'Other reserves' includes a reserve with respect to share-based compensations to the amount of € 54.2 million (2015: € 50.4 million).

8. Borrowings

	2016	2015
Non-current borrowings comprising drawings on the multi-currency syndicated revolving credit facility	699.2	124.6
Non-current borrowings to subsidiaries	1,599.0	1,281.0
Non-current borrowings	**2,298.2**	**1,405.6**
Current borrowings	**252.4**	**118.9**
	2,550.6	**1,524.5**

The non-current borrowings from subsidiaries consist of various loans amounting to € 1,599 million (2015: € 1,281 million), maturing from December 31, 2018 to April 6, 2026. The average interest rate on all loans is 5.6% (2015: 5.9%).

Movements in non-current borrowings from third parties

	2016	2015
Balance at January 1	**124.6**	**315.0**
Drawings on / (repayments of) syndicated loan	552.9	(212.1)
Amortization of transaction costs	2.2	2.2
Translation differences	19.5	19.5
Balance at December 31	**699.2**	**124.6**

Additional information with respect to borrowings is given in note 3.2 of the notes to the consolidated balance sheet.

9. Trade and other payables

	2016	2015
Trade payables	1.2	1.2
Payables to subsidiaries	1,686.6	1,679.4
Other taxes and social security premiums	1.4	1.2
Wages, salaries and other personnel costs	6.0	7.8
Accruals and deferred income	8.7	8.6
Balance at December 31	**1,703.9**	**1,698.2**

10. Number of employees (average)

In 2016, the company employed an average of 160 employees (2015: 172).

11. Remuneration

See note 24 of the notes to the consolidated financial statements.

12. Related parties

All companies within the Group are considered to be related parties. Also see notes 22, 23 and 24 of the notes to the consolidated financial statements.

13. Guarantees and commitments

The company bears joint and several liability for drawings by subsidiaries under the multi-currency syndicated revolving credit facility and under bank overdraft and guarantee facilities, to the amount of € 562 million (2015: € 484 million).

As at December 31, 2016, guarantees issued on behalf of subsidiaries amounted to € 7.4 million (2015: € 8.9 million). Furthermore, in the normal course of business, the company provides financial support to its subsidiaries.

The company's commitments for the period shorter than one year amount to € 0.7 million (2015: € 0.9 million) and for the period between one and five years to € 1.2 million (2015: € 1.4 million) with respect to lease contracts for automobiles.

The company is part of fiscal unities for corporate income taxes, as well as for value-added taxes. As a consequence, the company bears joint and several liability for the debts with respect to corporate income taxes and value-added taxes of the fiscal unities. The company settles corporate income taxes, in principle, based on the results before taxes of the subsidiaries belonging to the fiscal unity.

The company has issued joint and several liability statements in accordance with Section 403, Part 9, Book 2 of the Dutch Civil Code for a limited number of its Dutch subsidiary companies, mainly serving as sub-holding companies.

14. Auditors' fees

Information with respect to auditors' fees is given in note 28 of the notes to the consolidated financial statements.

Diemen, the Netherlands, February 13, 2017

The Executive Board
Jacques van den Broek (Chairman)
Robert Jan van de Kraats (Vice-Chairman)
François Béharel
Linda Galipeau
Chris Heutink

The Supervisory Board
Wout Dekker (Chairman)
Jaap Winter (Vice-Chairman)
Barbara Borra
Frank Dorjee
Henri Giscard d'Estaing
Giovanna Kampouri Monnas
Rudy Provoost

other information

Events after balance sheet date

See note 29 to the consolidated financial statements.

Provisions in the Articles of Association concerning profit appropriation

The following is a summary of the most important stipulations of Article 28 of the Articles of Association concerning profit appropriation.

Subsection 1.
Any such amounts from the profits as will be fixed by the Executive Board with the approval of the Supervisory Board will be allocated to reserves. As far as possible, from the remaining profits (hereinafter also called the total profits):

a. A dividend will first be distributed to the holders of preference A shares on the amount paid on said shares, of which the percentage will be equal to the average of the statutory interest – in the event of a change in the meantime to the respective percentages – during the financial year for which the distribution is made. This percentage will be increased by a surcharge fixed by the Executive Board, subject to the approval of the Supervisory Board, amounting to a maximum of three percent (3%). If, in any year, the profit distribution on preference A shares cannot be made or can only be made partially, the overdue dividend on the shares will be distributed in the subsequent years before any other dividend distribution is made.

b.1 A dividend will subsequently be distributed per series to holders of preference B shares (equal to the basic percentage to be mentioned under b.2) of the sum of the nominal amount and the amount in share premium which was paid upon the first issue of the shares of said series, which percentage will be increased upon said issue by a surcharge, fixed by the Executive Board, subject to approval of the Supervisory Board, of a maximum of one hundred and seventy-five (175) base points. If the share premium reserve has not shown the same balance for the whole financial year, the dividend shall be calculated on the time-weighted average balance for that financial year.

b.2 The basic percentage referred to under b.1 will be the arithmetic average of the effective yield on the government bonds issued by the Kingdom of the Netherlands with a term or remaining term of six to seven years. For the first time on the date that the preference B shares (of a series) have been outstanding for seven years, and subsequently each period of seven years after this, the basic percentage of the preference B shares (of the series concerned) will be adjusted to the yield then effective of the state loans referred to in the above-mentioned provisions.

b.3 A dividend will be distributed per series of preference C shares to holders thereof equal to the basic percentage mentioned under b.4 increased with the increment mentioned under b.4 calculated over the sum of the nominal amount increased by the daily time weighted average over the relevant financial year of the sum of the share premium amount and the preference C shares dividend reserve of said series. Notwithstanding the preceding sentence the dividend on the preference C shares for the period until the eighteenth day of November two thousand and nineteen will be five hundred eighty (580) basis points.

b.4 For the first time on the eighteenth day of November two thousand nineteen and subsequently each period of seven years after this, the basic percentage of the preference C shares (of the series concerned) will be adjusted to the average effective return on Dutch government bonds with a (remaining) life of seven years.

The increment is to be determined by the Executive Board with the approval of the Supervisory Board with a minimum of fifty (50) basis points and a maximum of six hundred and fifty (650) basis points, depending on the market circumstances (as a function of, among other things, illiquidity, perpetuality, creditworthiness, subordination and tax treatment) at that time and is subject to the approval of the meeting of shareholders of the preference C shares or series concerned, which approval requires unanimous votes of the holders of the preference C shares present or represented at such meeting.

b.5 The Executive Board is authorized, subject to the approval of the Supervisory Board, to resolve that dividend on the preference B shares or on the preference C shares of any series shall not be distributed but reserved instead in order to be distributed at a later date following a resolution to this effect by the Executive Board, subject to the approval of the Supervisory Board. When it is resolved that dividend on the preference B shares shall not be distributed but reserved then it shall also be resolved that dividend on the preference C shares shall not be distributed but reserved and vice versa.

b.6 If and insofar as the profit is not sufficient to fully make the distribution referred to hereinbefore on preference B shares and on preference C shares, the Executive Board may resolve, subject to the approval of the Supervisory Board, to make these distributions from the freely distributable reserves, with the exception of the share premium reserves referred to in Article 4, paragraph 4 under b and c, preference A shares dividend reserves, preference B shares dividend reserves and preference C shares dividend reserves.

b.7 If and insofar as in any financial year no distribution can be made, or it is resolved not to make a distribution on preference B shares, from the profit realized in the subsequent years after allocation to reserves and reduction of the amounts accruing to holders of preference A shares in accordance with the provisions in paragraph 1 subparagraph a of Article 28, following a resolution to that effect by the Executive Board, subject to the approval of the Supervisory Board, such distribution will be made to the holders of said preference shares or reserved that the deficit will have been fully made good before the provisions laid down hereinbefore can be applied.

b.8 If and insofar as in any financial year no distribution can be made, or it is resolved not to make a distribution on preference C shares, from the profit realized in the subsequent years after allocation to reserves and reduction of the amounts accruing to holders of preference A shares in accordance with the provisions in paragraph 1 subparagraph a of Article 28, following a resolution to that effect by the Executive Board subject to the approval of the Supervisory Board, such distribution will be made to the holders of said preference shares or reserved as such that the deficit will have been fully made good before the provisions laid down hereinbefore can be applied. Such deficit will be increased with the percentage referred to in paragraph 1 under b.3 or under b.4 of this Article 28 calculated over the period the deficit occurred and the moment the deficit has been made good.

b.9 If preference B shares or preference C shares have been issued in the course of any financial year, the dividend on the shares concerned for said financial year will be reduced proportionately until the first day of issue.

Subsection 2.
The balance then remaining will be available to the General Meeting, subject to the proviso that (i) no distribution will be made as long as not all the profit distributions on the preference shares have been made and the reserves are distributed on the preference shares as referred to in this Article 28 and (ii) no further distribution will be made on preference shares, nor will any amounts be reserved for this purpose.

Subsection 3.
The company may only make distributions to shareholders from the profit susceptible to distribution insofar as its common equity exceeds the amount of the paid and claimed part of the capital increased by the reserves to be kept by virtue of the law.

Subsection 4.
Subject to the approval of the Supervisory Board, the Executive Board may pass a resolution for distribution of an interim dividend, to be deducted from the dividend expected for the financial year concerned, if the requirement of the preceding paragraph has been fulfilled, as will be evident from an interim specification of equity and all the distributions on preference B shares and preference C shares have been made. Said specification of equity will relate to the position of the equity at the earliest on the first day of the third month prior to the month in which the resolution for distribution will be announced. It will be drawn up with due observance of the valuation methods deemed acceptable in society. The specification of equity will include the amounts to be allocated to the reserves by virtue of the law. It will be signed by the members of the Executive Board. In the event that the signature(s) of one or more of them should be lacking, the reason thereof will be stated. The company will deposit the specification of equity at the office of the Trade Register within eight days after the date on which the resolution for distribution will be announced. A resolution for distribution of an interim dividend may be limited to a distribution of an interim dividend exclusively to shareholders of a particular class, without prejudice to the rights of shareholders of other classes.

Subsection 5.
Resolutions for the complete or partial cancellation of reserves as stated in paragraph 1 of this Article may only be passed by the General Meeting on a proposal of the Executive Board approved by the Supervisory Board, with the exception of resolutions in respect of: (i) distributions from reserved dividend on preference B shares and on preference C shares, which shall be resolved upon by the Executive Board subject to the approval of the Supervisory Board; and (ii) annual distributions of twenty per cent (20%) of the preference C shares share premium reserve on preference C shares, which may be increased with an additional amount at the expense of the general reserves, such amount as to be determined at the time of issuance, which distributions may be resolved upon by the Executive Board, subject to the approval of the Supervisory Board, once the preference C shares (of a series) have been outstanding for four years. If in any financial year a distribution as referred to under (ii) does not occur or does not wholly occur, such distribution may take place in a subsequent year, provided that in any financial year not more than thirty percent (30%) may be distributed. When it is resolved that distributions shall be made from the preference B shares dividend reserve then it shall also be resolved that distributions shall be made from the preference C shares dividend reserve and vice versa.

Resolutions of the General Meeting for the complete or partial cancellation of a share premium reserve will require the prior approval of the meeting of holders of shares of the class and series concerned, without prejudice to the provisions in Article 4, paragraph 5, under b.1. Only holders of ordinary shares will be entitled to distributions deducted from allocations to reserves other than those mentioned in the preceding sentence. However, without prejudice to the amounts that would accrue to holders of preference B shares or holders of preference C shares, in accordance with the provisions in Article 28, paragraph 1b.4. and Article 34, paragraph 4.6., resolutions for the complete or partial cancellation of reserves as stated in paragraph 1 of this Article may only be passed by the General Meeting on a proposal of the Executive Board approved by the Supervisory Board, with the exception of distributions from reserved dividend on preference B shares, which shall be resolved upon by the Executive Board subject to the approval of the Supervisory

Board. Resolutions of the General Meeting for the complete or partial cancellation of a share premium reserve as stated in Article 4, paragraph 4.b. will require the prior approval of the meeting of holders of shares of the class and series concerned, without prejudice to the provisions in Article 4, paragraph 5, under b.1. Only holders of ordinary shares will be entitled to distributions deducted from allocations to reserves other than those mentioned in the preceding sentence. However, without prejudice to the amounts that would accrue to holders of preference B shares in accordance with the provisions in Article 28, paragraph 1b.4. and Article 34, paragraph 4.

Article 29 of the Articles of Association concerning payment in shares or from the reserves states:

1. The General Meeting may, at the proposal of the Executive Board and with the approval of the Supervisory Board, decide to distribute a dividend on ordinary shares in whole or in part in shares of the company and not in cash.
2. The General Meeting may decide to make a distribution on ordinary shares, in whole or in part, in shares of the company and not in cash.
3. The General Meeting may, at the proposal of the Executive Board and with the approval of the Supervisory Board, decide to make a distribution to holders of ordinary shares from the distributable part of the shareholders' equity. The provisions in paragraph 1 of this article will apply mutatis mutandis. Distribution as meant in the present paragraph 3 will only apply if all the amounts owed by virtue of Article 28, paragraph 1 have been paid.
4. In the event of a merger of a Subsidiary of the company, the General Meeting will have the authority to issue shares from one or more of the company's reserves, which do not need to be retained pursuant to the law or these Articles of Association.

Proposed profit appropriation

See note 19.2.1 to the consolidated financial statements.

Independent auditor's report

To the shareholders and Supervisory Board of Randstad Holding nv

Report on the financial statements 2016, included in the annual report

Our opinion

We have audited the financial statements 2016 of Randstad Holding nv, based in Diemen. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The consolidated financial statements included in this annual report give a true and fair view of the financial position of Randstad Holding nv as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements included in this annual report give a true and fair view of the financial position of Randstad Holding nv as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1. The consolidated balance sheet as at 31 December 2016.
2. The following statements for 2016: the consolidated statement of comprehensive income, the consolidated statement of cash flows and consolidated statement of changes in equity.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
1. The company balance sheet as at 31 December 2016.
2. The company income statement for 2016.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Randstad Holding nv in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 30 million. The materiality is based on 5% of Profit before Tax adjusted for interest and depreciation and amortization. We have also taken into account misstatements and/or possible misstatements that in our opinon are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 1.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the Group audit

Randstad Holding nv is at the head of a group of entities. The financial information of this Group is included in the financial statements of Randstad Holding nv.

In establishing the overall Group audit strategy and plan, we determined the type of work that needed to be performed at the Group entities by the Group engagement team and by component auditors from other Deloitte firms. The newly acquired companies of the former Proffice group and Monster Worldwide were included in the audit scope and were audited by other (non-Deloitte) audit firms. We directed and supervised their work as part of the Group audit.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those Group entities so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. For each Group entity we determined whether we required an audit of their complete financial information or whether other procedures would be sufficient. Those where a complete audit was required included the following Group entities: the United States, Netherlands, France, Germany, Belgium, United Kingdom, Spain, Italy (including Obiettivo Lavoro), Australia, Japan (including Careo), India, the former Proffice group and Monster Worldwide. These were selected because of their financial significance to the Group’s revenue or underlying profits.

Audit coverage	
Audit coverage of consolidated revenues	91%
Audit coverage of consolidated assets	95%

In addition, we performed other procedures with respect to the remaining Group entities.

The Group consolidation, financial statement disclosures and a number of complex items were audited by the Group engagement team at the head office. These include the annual goodwill impairment test, purchase price allocation for all acquisitions, valuation of deferred tax assets and share-based payments.

By performing the procedures mentioned above at Group entities, together with additional procedures at Group level, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in the audit
Business combinations In 2016, Randstad Holding nv acquired five companies (Proffice, Twago, Obiettivo Lavoro, Careo and Monster). The company prepared a purchase price allocation for these acquisitions, by which the total consideration is allocated to the assets and liabilities of the respective acquired company. The acquisitions and the purchase price allocation are disclosed in note 6.1 to the financial statements. Given the significance of the purchase consideration and the management estimates that are required to prepare a purchase price allocation, we consider the business combinations to be a key audit matter. Furthermore, the financials of the newly acquired companies are converted to Randstad accounting policies and consolidated in the Randstad financials as of acquisition date.	In our audit of the accounting of the acquisitions, we assessed the sale/purchase/merger agreements and verified the payment of the purchase price to the sellers. An important element of our audit relates to the identification of the acquired assets (e.g. valuation of customers relationships, candidate database, trade names and technology) and liabilities (provisions, other liabilities). We tested this identification based on our understanding of the business of the acquired companies and the explanations and plans of the company that supported the respective acquisition. Subsequently, we tested the fair values of the acquired assets and liabilities based on common valuation models. We involved our valuation specialists in our audit of the fair values. As disclosed in note 6.1, the purchase price allocations of these companies are provisional. As a result, adjustments can be made in 2017 to the purchase price allocations based on new information. Furthermore, we assessed the appropriateness of the disclosures in the financial statements regarding the acquisitions. We gained an understanding of the acquired businesses including their control environment and information systems to enable us to perform a detailed risk assessment and develop the audit plan. This includes, amongst others, procedures on the conversion to Randstad accounting policies and key audit matters for these businesses.
Valuation of deferred tax assets The Group's deferred income tax assets and deferred income tax liabilities as at December 31, 2016 are valued at € 520.2 million and € 42.2 million respectively. Under EU-IFRS, the company is required to periodically determine the valuation of deferred tax positions. This area was significant to our audit because of the related complexity of the valuation process which involves significant management judgment given it is based on assumptions that are affected by expected future market and economic conditions, and tax laws and regulations.	Our audit procedures included obtaining an understanding of management's process for valuation of deferred tax assets and testing relevant controls. Our substantive procedures include amongst others an assessment of the recoverability of deferred tax assets in the USA and Luxembourg because of the respective values of these deferred tax assets and for France and India due to the level of management judgment involved. We compared the consistency of management's profitability forecasts with those included in the annual goodwill impairment test. We also assessed local fiscal developments, in particular those related to changes in the statutory income tax rate and statutes of limitation since these are key assumptions underlying the valuation of the deferred tax assets. Further, we used our tax specialists to assist us in evaluating the assumptions and methodologies used by the company. In addition we also focused on the adequacy of the company's disclosures on deferred income tax positions and assumptions used. The company's disclosures concerning income taxes are included in note 4.3 to the consolidated financial statements.

Key audit matter	How the key audit matter was addressed in the audit
Valuation of goodwill At December 31, 2016 the Group's goodwill balance is valued at € 2,933.1 million. Under EU-IFRS, the company is required to annually test for impairment of goodwill. This annual impairment test was significant to our audit because the assessment process is complex and involves significant management judgment and is based on assumptions that are affected by expected future market and economic conditions. Based on the annual goodwill impairment test the Executive Board concluded that no goodwill impairment was needed, except for the € 9.9 million impairment in relation to the segment India. The key assumptions and sensitivities are disclosed in note 4.1 to the consolidated financial statements.	Our audit procedures included obtaining an understanding of management's process for valuation of goodwill and testing relevant controls. Our substantive procedure includes amongst others an assessment of the mathematical accuracy of the calculations and a reconciliation to the long term forecast as approved by the Executive Board. We used our valuation experts to assist us in evaluating the assumptions and methodologies used in the annual impairment test prepared by the company. We have challenged management, primarily on their assumptions applied where upon which the outcome of the impairment test is most sensitive, including, for example, projected revenue growth, EBITA margin, discount rate and terminal growth. Further, we challenged management by comparing the assumptions to historic performance of the company, local economic development and industry outlook, taking into account the sensitivity of the goodwill balances to changes in the respective assumptions. We also focused on the adequacy of the company's disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The company's disclosures concerning impairment and goodwill are included in note 4.1 to the consolidated financial statements.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report, the annual report contains other information that consists of:

- Management Board's Report
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of other information.

Report on other legal and regulatory requirements

Engagement

We were appointed by the general meeting as auditor of Randstad Holding nv on April 3, 2014 as of the audit for year 2015 and have operated as statutory auditor ever since that date.

Description of responsibilities for the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisionsof users takenon the basisof these financial statements. The materiality affectsthe nature, timingand extent of our audit procedures and the evaluation of the effectof identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the Group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for Group entities. Decisive were the size and/or the risk profile of the Group entities or operations. On this basis, we selected Group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the executive and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Diemen, 13 February 2017

Deloitte Accountants B.V.

P.J.M.A. van de Goor

supplementary information

summary quarterly income statement 2016

unaudited

amounts in millions of €, unless stated otherwise	First quarter	Second quarter	Third quarter	Fourth quarter	Year 2016
Revenue	**4,701.5**	**5,108.1**	**5,349.3**	**5,525.2**	**20,684.1**
Cost of services	3,836.1	4,144.8	4,349.5	4,419.5	16,749.9
Gross profit	**865.4**	**963.3**	**999.8**	**1,105.7**	**3,934.2**
Selling expenses	485.2	506.7	508.6	592.1	2,092.6
Other general and administrative expenses	214.5	221.2	231.6	282.3	949.6
Amortization and impairment of acquisition-related intangible assets and goodwill	30.4	21.3	16.3	33.4	101.4
Total operating expenses	**730.1**	**749.2**	**756.5**	**907.8**	**3,143.6**
Operating profit	**135.3**	**214.1**	**243.3**	**197.9**	**790.6**
Net finance income / (costs)	5.2	(4.9)	(4.4)	0.3	(3.8)
Share in profit of associates	0.0	0.0	0.0	(0.8)	(0.8)
Income before taxes	**140.5**	**209.2**	**238.9**	**197.4**	**786.0**
Taxes on income	(38.0)	(52.9)	(62.1)	(44.8)	(197.8)
Net income	**102.5**	**156.3**	**176.8**	**152.6**	**588.2**
Calculation of earnings per ordinary share					
Net income for holders of ordinary shares	99.4	153.1	173.6	149.3	575.4
Amortization and impairment of acquisition-related intangible assets and goodwill	30.4	21.3	16.3	33.4	101.4
One-offs	3.2	4.3	10.9	36.3	54.7
Tax effect on amortization and impairment of acquisition-related intangible assets and goodwill, integration costs and one-offs	(10.2)	(7.8)	(8.3)	(16.3)	(42.6)
Net income for holders of ordinary shares before amortization and impairment of acquisition-related intangible assets and goodwill, integration costs and one-offs	122.8	170.9	192.5	202.7	688.9
Basic earnings per share (€)	0.54	0.84	0.95	0.82	3.15
Diluted earnings per share (€)	0.54	0.83	0.95	0.81	3.13
Diluted earnings per share before amortization and impairment of acquisition-related intangible assets and goodwill, integration costs and one-offs (€)	0.67	0.93	1.05	1.10	3.75
Average number of ordinary shares outstanding (in millions)	182.4	182.9	182.9	182.6	182.7
Average number of diluted ordinary shares outstanding (in millions)	183.2	183.7	183.7	183.8	183.8

ten years of Randstad

amounts in millions of €, unless stated otherwise	2016	2015	2014
Revenue	20,684.1	19,219.2	17,249.8
Growth %	7.6%	11.4%	4.1%
Gross profit [1]	3,934.2	3,594.5	3,177.6
EBITDA[1]	966.1	896.7	725.9
EBITA[1]	892.0	832.0	660.7
Operating profit/(loss)[1]	790.6	704.7	515.3
Net income [2]	588.2	518.8	340.1
Growth %	13.4%	52.5%	47.4%
Net cash flow from operations	559.7	565.6	557.5
Free cash flow	464.6	498.8	487.7
Depreciation, amortization and impairment of property, plant, equipment, and software	74.1	64.7	65.2
Additions to property, plant, equipment, and software	97.2	67.2	65.7
Amortization and impairment of acquisition-related intangible assets and goodwill, and badwill	101.4	127.3	145.4
Shareholders' equity	4,140.1	3,861.7	3,313.1
(Net debt) / net cash	(793.4)	(173.2)	(422.0)
Operating working capital [3]	712.1	621.4	487.7
Average number of candidates	626.300	597,400	580,300
Average number of corporate employees	32,280	29,750	28,720
Number of branches, year-end	2,974	2,750	2,816
Number of inhouse locations, year-end	1,778	1,723	1,595
Market capitalization, year-end	9,431.2	10,529.1	7,215.2
Number of ordinary shares outstanding (average in millions)	182.7	181.7	178.9
Closing price (in €)	51.53	57.53	40.06
Ratios in % of revenue			
Gross profit[1]	19.0%	18.7%	18.4%
EBITDA[1]	4.7%	4.7%	4.2%
EBITA[1]	4.3%	4.3%	3.8%
Operating profit[1]	3.8%	3.7%	3.0%
Net income	2.8%	2.7%	2.0%
Basic earnings per ordinary share (€)	3.15	2.79	1.83
Diluted earnings per ordinary share (€)	3.13	2.76	1.81
Diluted earnings per ordinary share before amortization and impairment of acquisition-related intangible assets and goodwill (€)	3.54	3.23	2.35
Dividend per ordinary share (€)	1.89	1.68	1.29
Payout per ordinary share in % [4]	50%	50%	50%

1 The results as presented in this overview are actual results. As such, they have not been adjusted for one-offs, integration costs or acquisition-related costs.
2 For the year 2007, net income includes dividend on preferred shares as financial expenses under net finance costs.
3 Operating working capital (as from 2014): trade and other receivables minus the current part of financial fixed assets, deferred receipts from disposed Group companies, and interest receivable minus trade a
4 Starting 2008: on basic earnings per ordinary share, adjusted for the net effect of amortization and impairment of acquisition-related intangible assets and goodwill, badwill (2013 only), integration costs an

2013	2012	2011	2010	2009	2008	2007
16,568.3	17,086.8	16,224.9	14,179.3	12,399.9	14,038.4	9,197.0
(3.0)%	5.3%	14.4%	14.4%	(11.7)%	52.6%	12.3%
3,010.0	3,107.3	2,953.9	2,669.3	2,421.3	2,972.3	2,029.7
597.9	547.7	633.6	598.9	346.0	744.0	605.6
529.7	463.6	553.1	513.6	252.4	644.0	554.4
366.3	127.6	249.7	341.2	93.8	(34.7)	539.6
230.7	36.7	179.0	288.5	67.6	18.4	384.9
528.6%	(79.5)%	(38.0)%	326.8%	267.4%	(95.2)%	6.8%
340.7	528.6	519.5	369.2	742.7	760.1	401.4
292.9	466.5	435.2	309.3	698.1	672.7	328.4
68.2	84.1	80.5	85.3	93.6	100.0	51.2
61.5	63.5	85.5	60.7	48.5	92.0	74.4
163.4	336.0	303.4	172.4	158.6	678.7	14.8
2,907.8	2,724.9	2,898.4	2,850.8	2,491.0	2,416.9	1,021.6
(761.0)	(1,095.7)	(1,302.6)	(899.3)	(1,014.7)	(1,641.0)	(144.2)
459.5	527.6	631.6	525.5	395.2	711.5	409.5
567,700	581,700	576,800	521,300	465,600	555,600	369,200
28,030	29,320	28,700	25,680	27,640	28,230	17,570
3,161	3,191	3,566	3,085	3,182	4,146	1,889
1,426	1,305	1,145	1,110	947	1,087	997
8,366.0	4,785.3	3,907.9	6,716.9	5,917.6	2,466.9	3,150.7
175.5	171.9	170.8	169.9	169.6	148.6	116.4
47.15	27.81	22.86	39.50	34.90	14.55	27.02
18.2%	18.2%	18.2%	18.8%	19.5%	21.2%	22.1%
3.6%	3.2%	3.9%	4.2%	2.8%	5.3%	6.6%
3.2%	2.7%	3.4%	3.6%	2.0%	4.6%	6.0%
2.2%	0.7%	1.5%	2.4%	0.8%	(0.2)%	5.9%
1.4%	0.2%	1.1%	2.0%	0.5%	0.1%	4.2%
1.25	0.17	1.00	1.65	0.36	0.07	3.31
1.23	0.17	1.00	1.63	0.36	0.07	3.30
1.87	1.73	2.42	2.32	0.99	4.38	3.38
0.95	1.25	1.25	1.18	-	-	1.25
45%	59%	53%	60%	-	-	38%

nd other payables, excluding interest payable. Comparative figure for 2013 is adjusted; all other years are not adjusted.
d one-offs.

glossary

Operational glossary

Activity-based field steering
Our activity-based field steering (ABFS) model is used to manage and direct performance across our businesses. By embedding operational performance tools at every level of our organization, the input-based ABFS model helps operational managers to take the right decisions, at the right time, and translate them into action. Managers receive up-to-date, accurate reports on a weekly basis, covering a range of key performance indicators. These data enable us to manage our units and teams in the field by adapting to changing client and market demands as they occur.

Agency work
Agency work is a special form of temporary work, where generally the employer does not hire the employee directly on a contract with a limited duration, but through a private employment agency. The employee is mostly hired directly by the employment agency, mostly on a temporary basis, but sometimes on a permanent contract. During the contract period, the employee can be assigned to different user companies.

Aging population
The process in which the working population is shrinking due to an increasing number of people leaving the labor market because of their age.

Blue-collar worker
Within Staffing, we typically divide the market into blue-collar and white-collar work. The distinguishing factor is difference in skill sets. Blue collar is predominantly geared towards industrial and technical job profiles.

Branches
Branches are physical office locations from which our consultants operate.

Candidate
Another term for the people we help to find work at our clients (temporary and permanent employees).

Candidates/Staffing employees working
The number of temporary employees currently working for our clients.

Concepts
Our concepts represent the services we offer to our clients. We standardize the working processes per concept in order to easily 'copy and paste' them across our operations around the world.

Consultant
A consultant is a front-office employee who is located at one of our outlets, directly meeting the demands of clients and candidates.

FTE
Full-time equivalent.

Inhouse location
An Inhouse location is a branch that is located at a client's premises, where our consultants work on-site dedicated to that specific client.

Managed Services Provider (MSP)
An MSP is a company that takes on primary responsibility for managing an organization's contingent workforce program. An MSP may or may not be independent of a staffing supplier.

Outlets
Outlets are branches and Inhouse locations combined.

Outplacement
Within outplacement, we advise and support organizations in situations in which employment contracts need to be terminated because of a strategic decision or for other reasons. We assist employees in their search for a suitable new job to make the transition as smooth as possible.

Outsourcing
Outsourcing is the sustainable transfer of several client activities with output responsibility both in the production/logistics and in the administrative environment.

Penetration rate
The penetration rate is the percentage of temporary workers in the total working population.

Permanent placement
Apart from attracting candidates for temporary jobs, we also service clients by recruiting candidates for permanent positions. The process involved is referred to as permanent placement.

Professionals
Professionals is the service we offer to our clients where we offer a broad and deep range of candidates with an academic or equivalent degree on a temporary or interim basis, as well as on a permanent placement basis through Search & Selection.

Recruitment
The process of hiring candidates for permanent positions.

Recruitment Process Outsourcing (RPO)
RPO is the transfer of operational responsibility for one or more recruiting functions or tasks, including recruitment administration, from the client to a service provider.

Specialties
Specialties are the specific market segments that dedicated units in our Staffing business focus on, such as healthcare, transport, airports, and call centers. The knowledge,

experience, and expertise we gain by focusing on these specialties translate into added value for clients and candidates.

Staffing
A service we offer to our clients that involves matching candidates with temporary positions at our clients.

Temporary work
Compared to part-time work, temporary work is an even more flexible form of labor. This includes both agency workers and limited-duration contract workers.

Two-tier board structure
A governance structure in which the board is split between an Executive Board and a Supervisory Board. The Executive Board is responsible for developing, driving, executing, and achieving the approved strategy and strategic targets, while the Supervisory Board acts in the interest of the company by supervising and advising the Executive Board.

Vendor Management System
A VMS is an internet-enabled contingent worker sourcing and billing application that enables a company to procure and manage a wide range of contingent workers and services in accordance with client business rules.

White-collar worker
Within Staffing, we typically divide the market into blue-collar and white-collar work. The distinguishing factor is difference in skill sets. White collar is predominantly geared towards administrative job profiles.

Sustainability glossary

Fatality
An incident causing the death of a corporate staff member or candidate at work, in traffic, while working, or while commuting.

Fixed-term contract
An employment contract with a particular end date, meaning that the contract ends after a certain event or on the completion of a task.

Local sickness rate
Number of working days lost due to sickness within Randstad, based on actual working days. Sickness rate calculation: number of workings days lost / (average FTE x available days).

Lost Time Injury (LTI)
Days off work due to work-related injury, based on actual working days. Injury rate calculation: number of workings days lost / (average FTE x available days).

Misconduct Reporting Procedure (MRP)
Grievance mechanism; a facility operated by an independent external provider, where serious breaches of the Randstad business principles can be reported if the regular avenues are inappropriate.

National sickness rate
Sickness rate in a country as most recently quoted by local public administration or authorities.

OECD
The mission of the Organisation for Economic Co-operation and Development (OECD) is to promote policies that will improve the economic and social well-being of people around the world.

Permanent or open-term contract
An employment contract for an indefinite period of time; this metric includes employees with a permanent or open-term job but without an official contract, which is often the case in the US, for example.

Sickness absence
Includes both short-term and long-term sickness. Generally excludes absence due to work-related accidents and pregnancy leave, unless local authorities use a different definition.

Sustainable Development Goals (SDG)
In September 2015, the UN launched the 17 Sustainable Development Goals. Countries adopted these goals to end poverty, protect the planet, and ensure prosperity for all by 2030.

Training costs
Total expenditure on training of candidates or employees. In addition to external costs of training, an estimate is made of the salary costs of internal trainers.

Training hours
Number of hours spent on training of candidates or employees. Training of employees excludes attendance at the Frits Goldschmeding Academy, which is reported separately.

VSO volunteers
Number of employees (headcount) working on an indefinite contract with an operating entity, who have provided support to VSO (e.g., HR/finance/marketing/legal or strategic advice, fundraisers) either in their home country or at a VSO office (e.g., in the UK or the Netherlands), or on an assignment in Africa or Asia.

Volunteer hours
The number of hours actually worked by the volunteer(s) or: number of months of placement x 4 weeks x 36 hours; for short-term volunteers: number of weeks x 36 hours.

Work-related injuries
Accidents during working hours, whether on work premises or while traveling as part of work duties, causing candidates or employees to be injured on a scheduled workday or normal work shift, resulting in days off work.

World Employment Confederation (Europe)
Our worldwide/European industry federation that strives for well-regulated working conditions for corporate employees and candidates.

Financial glossary

Amortization (and impairment) of acquisition-related intangible assets
Upon acquisitions, Randstad identifies intangible assets, such as customer relationships, brand names, and candidate databases. On average, these acquisition-related intangible assets are amortized over 1 to10 years, leading to an annual non-cash amortization charge, which is included in operating profit.

Capital expenditures
Part of cash flow from investing activities. Amounts incurred for investments in property, plant and equipment (e.g., furniture, computer hardware), and software.

Cash flow from operating activities
EBITDA adjusted for changes in working capital, taxes on income, movements in other balance sheet positions, such as provisions, and certain other non-cash items.

Closing price
Share price of Randstad at the end of a given trading day on Euronext, where an ordinary share of Randstad is listed.

Cost of services
Expenses which are directly attributable to revenue. These costs mainly include expenses related to staffing employees, such as wages, social security charges, and taxes.

DSO (Days Sales Outstanding, moving average)
The DSO represents the number of days before we are able to convert sales into cash (received from our client). In the Annual Report, we use the moving average of the monthly DSO.

Diluted earnings per ordinary share
Diluted earnings per ordinary share are calculated by adjusting the weighted average number of ordinary shares outstanding, assuming conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares arise from various share-based payment arrangements.

Dividend on ordinary shares
Part of net income attributable to holders of ordinary shares that will be distributed to holders of ordinary shares.

EBITA
Earnings Before Interest, Taxes and Amortization (and impairment of acquisition-related intangible assets and goodwill). It is basically the same as operating profit adjusted for amortization charges on acquisition-related intangible assets. This is the key performance indicator when looking at the profitability of our business.

EBITA margin
EBITA as percentage of revenue.

EBITDA
Earnings Before Interest, Taxes, Depreciation of property, plant and equipment and Amortization of software.

EPS (Earnings Per Share)
Net income attributable to holders of ordinary shares divided by the weighted average number of ordinary shares outstanding.

Economic value added (EVA)
A financial performance method to calculate the true economic profit of a corporation. EVA can be calculated as net operating profit after taxes minus a charge for the opportunity cost of the capital invested.

Enterprise value
Market capitalization plus net debt.

Free cash flow
Free cash flow is the sum of net cash flow from operating activities and investing activities adjusted for cash flows for acquisitions and disposals of subsidiaries, equity investments and associates.

Gross margin
Gross profit as percentage of revenue.

Gross profit
Revenue minus cost of services.

IFRS
International Financial Reporting Standards.

Incremental conversion ratio
Additional EBITA in a year, when compared with the previous year, as a percentage of additional gross profit in a year, when compared with the previous year, based on organic growth. We aim for an incremental conversion ratio of 50%, if gross profit growth has been achieved.

Leverage ratio
Net debt divided by 12-month EBITDA. We aim at a leverage ratio of between 0 and 2x EBITDA, which is important for continuity. The syndicated loan documentation allows us a leverage ratio of 3.5x EBITDA.

Liquidity of shares
Total number of shares traded on the stock exchanges.

Market capitalization
Total shares outstanding multiplied by the share price of Randstad.

Net debt
Cash and cash equivalents minus current borrowings and non-current borrowings.

Net finance costs
Net finance costs include net interest expenses in relation to our net debt position, foreign currency exchange results, net interest expenses due to passage of time, and other items.

Net income
Operating profit minus net finance costs, share of profit (or loss) of associates, and taxes on income.

Net income attributable to holders of ordinary shares
Net income adjusted for the dividend on preferred shares, as well as for results of non-controlling interests.

Operating expenses
Operating expenses comprise personnel and accommodation expenses in relation to the activities at the outlets and the various head offices, IT expenses, other general and administrative expenses, as well as the amortization and impairment of acquisition-related intangible assets and goodwill.

Operating expenses margin
Operating expenses as a percentage of revenue.

Operating profit
Gross profit minus operating expenses.

Operating working capital
Trade and other receivables (excluding current part of loans and receivables and other interest receivable) minus trade and other payables (excluding interest payable). The level of working capital is related to the timing of the invoicing and payrolling processes (weekly or monthly). The payment terms negotiated with clients and the effectiveness of our collection processes are equally important. Liabilities, such as social security charges, wage tax, and value-added tax are settled every month and in some countries on a quarterly basis. Payment terms are often determined by law and therefore difficult to influence.

Payout per ordinary share
Dividend on ordinary shares divided by net income per share attributable to holders of ordinary shares before amortization and impairment of acquisition-related intangible assets and goodwill, integration costs, and one-offs (after taxes).

Productivity
We measure productivity in three ways: (1) number of temporary workers per staff member (EW/FTE), (2) gross profit per staff member (GP/FTE), and (3) gross profit in relation to personnel expenses (GP/PE).

Recovery ratio
The total year-on-year change in operating expenses as a percentage of the decline in gross profit. We aim for a recovery ratio of 50% in case gross profit declines.

Revenue
We distinguish three types of revenue: (1) revenue from temporary billings, (2) permanent placement fees, and (3) other revenue. 'Revenue from temporary billings' includes the amounts received or receivable for the services of temporary staff, including the salary and salary-related employment costs of those staff. These revenues are generally based on the number of hours worked by the temporary staff. 'Revenue from permanent placements' includes the fee received or receivable for the services provided. The fee is generally calculated as a percentage of the candidate's remuneration package. The category 'other revenue' includes revenue for services such as payrolling, outplacement, outsourcing, MSP and RPO services, consultancy, and related HR offerings.

Share in profit/loss of associates
Associates are companies in which Randstad Holding nv has significant influence, but no control, over the financial and operational policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. The share of profit or loss of the associate is presented in this line of the income statement.

Syndicated credit facility
Randstad has a € 1,920 million multi-currency syndicated revolving credit facility at its disposal, which will mature in July 2021. The loan documentation allows a leverage ratio of 3.5x EBITDA, although we aim for a leverage ratio of between 0 and 2, which is important for continuity. In certain cases, we are allowed to report a maximum leverage ratio of 4.25x EBITDA for a limited amount of time.

Taxes on income
Taxes on income comprise current taxes and the realization of deferred taxes. Current taxes on income are the sum of taxes levied on the results before taxes in the countries in which those results were generated, based on local tax regulations and against tax rates of the applicable year. Tax-exempt income and expenses not deductible for tax purposes are taken into account in calculating taxes on income.

Velocity of shares
Velocity represents the average holding period of a share in Randstad. It is measured as the total number of shares traded divided by the average number of shares outstanding.

sustainability and industry memberships and partnerships

World Employment Confederation
Through our membership in the World Employment Confederation (before: Ciett), we strive for well-regulated working conditions for our corporate employees and candidates.

World Employment Confederation Europe
Through our membership in the World Employment Confederation Europe (before: Eurociett), we strive for well-regulated working conditions for our corporate employees and candidates.

CSR Europe
CSR Europe is a leading European business network for corporate social responsibility, with more than 60 leading multinational corporations as members. Randstad is involved in CSR Europe projects in the areas of skills for employability, mainstreaming diversity, and well-being in the workplace.

Global Reporting Initiative
Randstad is a registered organizational stakeholder of the Global Reporting Initiative (GRI) and supports its mission to make sustainability reporting standard practice; one which helps to promote and manage change towards a sustainable global economy.

VSO
Our partnership with Voluntary Service Overseas combines the strength of two organizations driven by a common aim: to help alleviate poverty across the globe by sharing skills and expertise with local communities.
VSO focuses on sustainable development, and places volunteers through partners in developing countries. Randstad supports VSO by providing strategic support, expertise, funding, and most of all, through our employees who can volunteer themselves.

UN Global Compact
The United Nations Global Compact is a voluntary business initiative for companies committed to aligning their activities with ten universally accepted principles in the areas of human rights, labor, the environment, and anticorruption. As signatories of the Compact since 2004, Randstad firmly believes that responsible business promotes the development of markets, commerce, technology, and finance for the benefit of economies and societies everywhere.

Global Apprenticeships Network
The GAN, established in 2013, aims to address the urgent issue of youth unemployment and the need for businesses to ensure skills for the future.
The Network has been developed jointly by the International Organisation of Employers (IOE) and the Business and Industry Advisory Committee to the OECD (BIAC), with the support of the International Labour Organization (ILO).

International Organisation of Employers
The IOE is a private sector network of 150 business and employer federations in 143 countries. The IOE guides its members in matters of international labor standards, business and human rights, CSR, occupational health and safety, and international industrial relations.

Brussels European Employee Relations Group
BEERG is an information-sharing and networking group of companies headquartered in the EU, the US, India, and Japan, where labor and employment relations professionals discuss topics of mutual concern.

BusinessEurope AS Group
On behalf of its member federations, BusinessEurope works to ensure that the voice of business is heard in European policy-making, and also represents its members in the international political arena.

VNO-NCW
VNO-NCW, the Confederation of Netherlands Industry and Employers, represents the common interests of Dutch business, both at home and abroad. They cover almost all sectors of the economy, including more than 80% of all medium-sized companies in the Netherlands and nearly all of the larger, corporate institutions.

OECD Forum 2016
Randstad was Gold sponsor of the OECD Forum 2016, which has become a global showcase for thoughtful and revealing discussions on economic trends, especially on the topic of human capital.

certifications, rankings, and awards

Certifications

- Randstad Group Belgium and Randstad Italy hold the Social Accountability SA 8000 accreditation.
- Randstad Group Netherlands, Diemermere Beheer BV, Randstad Italy, Randstad Sweden and Norway, Randstad Brazil, Randstad Professionals Germany hold the ISO 14001 environmental management certification.
- Randstad Belgium is certified VCU and Randstad Professionals Belgium is certified Qfor, where VCU stands for 'Health and Safety' and Qfor for 'Quality training and consulting organizations'.
- Randstad France, Randstad Germany including Professionals and Tempo-Team, Randstad Belgium (Inhouse) and Tempo-Team Belgium (Staffing and Inhouse), Randstad Spain, Randstad Portugal (Staffing, Professionals, Contact Centers and Healthcare), Randstad in Italy, Hungary, India, Japan, Brazil, Australia, Argentina, Greece, China, and Poland, UK Care, UK Student and Worker Support, UK Business Support, UK Education, our companies in Sweden and Norway, New Zealand, Randstad Interim Luxembourg, Chile and the companies in the Netherlands are certified under the ISO 9001 label for quality management.
- Randstad Norway is a certified employer with the certificate 'Revidert Arbeidsgiver' and is qualified in the Achilles Joint Qualification system for suppliers.
- Randstad Belgium, Randstad France, Randstad Italy and Randstad Holding continue to be certified with the Gender Equality European & International Standard (GEEIS) for their professional gender diversity practices.
- Randstad, Tempo-Team and Yacht in the Netherlands have been certified by FIRA Rating System for sustainability assurance based on ISO 26000, consulted by purchasing organizations.
- Randstad Professionals Germany holds the Bildungsträger AZAV certificate.
- Randstad Switzerland holds the Swissstaffing SQS label, which stands for ethical working and for high professional standards in the industry.
- The labor management system 'AMS' of Randstad Germany was certified for systematic and effective industrial protection of the employer's liability. This certification includes the standards NFL/ILO-OSH 2001 and OHSAS 18001:2007.
- Randstad Brazil and Spain hold the OHSAS 18001 certificate .
- Randstad Australia has the AS/NZS 4801 accreditation (internationally known as OHSAS 18001).
- Randstad Spain holds the Youth Employment Certificate.
- Randstad France and Tempo-Team Belgium hold the Label Diversité and Randstad Group France the Label égalité professionnelle femmes/hommes.
- In the field of data protection, Randstad Germany has been certified by the TÜV Rheinland Industrie Service GmbH.
- Randstad Japan is certified as 'Excellent Staffing Agency' by the Japan Association of Human Resource Services Industry, entrusted by the Ministry of Health, Labor and Welfare.

Rankings and awards

- Randstad Holding is the only HR services provider included as a member in the Professional Services industry of the DJSI world and DJSI Europe indices 2016.
- Randstad Holding received confirmation of its continued membership of the FTSE4Good Index Series.
- According to the Euronext Vigeo index, Randstad Holding is one of the 20 most advanced companies in the Benelux region and one of the 120 most advanced companies in the Eurozone region rated on environmental, social and governance performances.
- Randstad Holding is included in the Dutch Transparency Benchmark, an annual research on the content and quality of CSR or integrated reports of Dutch companies.
- In the Carbon Disclosure Project (CDP) 2016 Randstad Holding scored a B (management level) in the Global Climate report (above industry average).
- Randstad Holding has been reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe.
- In 2016, and for the third time since 2010, Randstad Holding was again awarded winner of the FD Henri Sijthoff Award, which is granted to institutions that stand out in their financial reporting.
- Eight Randstad executives were included in the Global Power 100 – Women in Staffing List 2016. The list is compiled by Staffing Industry Analysts, highlighting women's contributions to the staffing industry.
- Randstad Holding was listed in VBDO's (Dutch Association of Investors for Sustainable Development) Tax Transparency Benchmark at position 4.
- Randstad Canada was named one of the Best Workplaces in Canada by the Great Place to Work® Institute for a tenth consecutive year and was awarded one of the 50 best workplaces in Canada for women.
- Randstad Canada was recognized with a 2016 Legal Technology Award in the contract management category. Legal Technology Awards recognize legal teams and projects that demonstrate innovation through their use of legal enterprise management and technology.
- Randstad Canada was awarded for its successful public relations campaigns and special events by the Canadian Public Relations Society Toronto. The ACE Awards recognize the outstanding work created by the Toronto PR industry through its communications campaigns.
- Randstad Spain Foundation was selected as one of the foundations in the ranking of transparency of company foundations.
- Randstad Spain Foundation received the CEPTA award (Confederation of Entrepreneurs of Tarragona), and the AFA award (Association of Andalucía's Foundations), both awards of Social Responsibility.
- GULP Information Services GmbH holds the seal of approval 'Arbeits- und Gesundheitsschütz nach LS-

Standard' from TÜV SÜD Life Service GmbH as one of only four enterprises in Bavaria.

Rankings and awards

- Randstad France is among the 2% best staffing companies in labor practices out of more than 150 staffing companies assessed by Ecovadis, a platform to monitor sustainability performance in the supply chain.
- Randstad Italy received the 'Company to watch 2016' award, appointed by Cerved Group S.p.A., the largest information provider in Italy and one of the main rating agencies in Europe. Randstad Italy was granted the award for its economic results and balance sheet, and for its competitive positioning and strategic moves.
- Specialty Retail of Randstad Italy was recognized as best partner 2015/2016 by 'Associazione Vetrinisti & Visual Europei' for specific training activities.
- Randstad Sourceright was recognized as a leader in Recruitment Process Outsourcing (RPO) service delivery in Everest Group's 'Recruitment Process Outsourcing – Service Provider Landscape with PEAK Matrix™ Assessment 2016' report.
- Several Randstad US companies are ranked in the Largest Firms list drawn up by Staffing Industry Analysts. Staffing and Professionals are in third place, Technologies in fourth and Pharma in sixth.
- Randstad US placed in the 2016 Top 25 Large Places to work, a ranking drawn up by the Atlanta Journal Constitution.
- Several Randstad US companies (Professionals, Technologies and Life Sciences) were named on the 2016 Best of Staffing Client List by Invero.
- Several Randstad US companies (Professionals, Healthcare, Engineering and Technologies) were named on the Best of Staffing Talent List by Invero.
- Randstad US Technologies and Engineering were awarded the TechServe Alliance Excellence Award by TechServe.
- Randstad US's corporate social responsibility program, Hire Hope, received the 2016 Care Award from the American Staffing Association.
- Randstad Poland was honored with the award for Best Recruitment Firm of the Year by CEE Shared Services and Outsourcing Awards.
- Randstad UK's CPE business was listed in Recruiter.co.uk Hot100 at position 8.
- Randstad UK's CPE business was included in the Sunday Times 100 Best Companies to Work (position 26).
- Randstad Germany was recommended as Headhunter of the Year 2016 by candidates of the career platform 'Experteer'.
- The consortium School & Economy in Hesse/Germany honored the Randstad Germany sponsorship program 'You've got talent' with the School & Economy Corporate Award for its efforts for school kids.
- Randstad Portugal was awarded at the Contact Center World with two gold medals for Best Contact Center Trainer and Best Project Manager. At the same event, the team was recognized with a silver medal for Best Supervisor and Best Recruitment Campaign.
- Randstad Portugal received the award of Best HR Supplier from *HR Portugal Magazine*.
- The radio campaign 'Mariana's chair', developed by Randstad Portugal together with the national broadcast radio RFM, received the 'Best Media Planning – Radio' award at the Meios & Publicidade awards.
- Randstad Netherlands won the SAN Accent advertising award for the Dutch Campaign 'Worden wie je bent'.
- Yacht won the 'Gouden Walnoot' (Golden Walnut) at the Dutch Marketing Awards. This is the first scientifically validated award in neuromarketing. The more than 100 TV commercials tested in 2015 were ranked according to their impact on those networks of the human brain that are known to make TV commercials effective in selling the product or valuing the brand.
- Yacht was recognized as the No. 1 brand for interim professionals in the Netherlands in 2016 by *MT magazine*, one of the leading Dutch business publications.
- Randstad Netherlands won the SponsorRing Oeuvre Award, for the long-lasting successful sponsoring partnership with the Dutch Olympic Committee, a partnership spanning two decades.
- Randstad Asia proudly received several prestigious awards in 2016. At the Asia Corporate Excellence & Sustainability Awards (ACES), Randstad Southeast Asia won the Industry Champion of the Year Award. In addition, Randstad Asia won two awards at the prestigious Global Recruiter Asia Pacific Industry Awards 2016: Best Large Recruitment Business and Best Use of Social Media. Randstad Asia also clinched the Best Back Office Award at the Recruitment International Asia Awards.

highest Randstad positions in industry associations

country	federation name	position: president	vice-president	board member	member
Argentina	FAETT		x		
	CASEEC[1]		x		
Austria	ÖPD (Österreichs Personaldienstleister)				x
Australia	RCSA			x	x
Belgium	Federgon			x	
Brazil	Sindeprestem (Sao Paolo)	x			
Canada	ACSESS			x	
	NACCB[1]			x	
Chile	AGEST				x
China	Shanghai HR Consulting Association[1]		x		
	CAFTS (Beijing)			x	
Czech Republic	APPS		x		
Denmark	Vikarbureaernes Brancheforening			x	
France	PRISME			x	
Germany	BAP		x		
Greece	ENIDEA			x	
Hungary	SZTMSZ			x	
India	ISF			x	
Italy	Assolavoro			x	
Japan	JASSA			x	
	JSLA[1]		x		
	JHR (umbrella organization)[1]			x	
Luxembourg	Fedil/F.E.S. (Fedil Employment Services)		x		
Mexico	AMECH			x	
Netherlands	ABU		x		
New Zealand	RCSA	x			
Poland	Polski HR Forum				x
Singapore	Singapore Professional Staffing Organisation			x	
Portugal	APESPE			x	
Slovakia	APAS				x
Spain	Asempleo			x	
Sweden	Bemanningsforetagen				x
Switzerland	Swiss Staffing			x	
Turkey	OIBD				x
UK[1]	APSCO				x
	REC				x
Uruguay	CUDESP				x
US	ASA			x	
Europe	World Employment Confederation Europe	x			
International	World Employment Confederation (WEC)	x			

1 Non-WEC member.

financial calendar

March 30, 2017
Annual General Meeting of Shareholders

April 3, 2017
Ex-dividend

April 4, 2017
Record date

April 7, 2017
Dividend available for payment

April 25, 2017
Publication of Q1 2016 results (pre-market)
Analyst conference call Q1 2016 results

July 25, 2017
Publication of Q2 2017 results (pre-market)
Press conference and analyst presentation Q2 2017 results

October 24, 2017
Publication of Q3 2017 results (pre-market)
Analyst conference call Q3 2017 results

February 13, 2018
Publication of Q4 2017 and annual results 2017 (pre-market)
Press conference and analyst presentation annual results 2017

March 27, 2018
Annual General Meeting of Shareholders

1960 Uitzendbureau Amstelveen founded in the Netherlands

1964 The company takes a new name: Randstad Uitzendbureau

1967 Creation of the Randstad logo and visual identity

1970 Randstad now has 32 branches in four countries

1977 Introduction of the core values

1978 Company name changes to: Randstad Holding nv

1983 Staffing agency Tempo-Team acquired

1985 Randstad celebrates its silver jubilee; 257 branches in four countries

1988 Establishment of Randstad Option Fund for corporate employees

1990 Randstad shares are listed on the Amsterdam Stock Exchange

1993 Randstad starts activities in the US

1996 Randstad deploys 16,000 staffing employees at the Olympic Games in Atlanta

1998 Randstad founder and president and CEO Frits Goldschmeding retires

1998/1999 International network doubled through acquisitions in the US, Germany and Spain

2007 Randstad, now present in 20 countries, is promoted to the AEX index

2008 Randstad and Vedior become one. Randstad becomes the second-largest HR services provider in the world

2010 Acquisition of FujiStaff Japan

2011 Acquisition of SFN Group

2013 Acquisition of part of the European Staffing activities of USG People

2014 Jacques van den Broek appointed CEO

2015 Acquisition of RiseSmart

2016 Acquisition of Proffice, Obiettivo Lavoro, Careo, twago and Monster Worldwide

infographics
BAS! Reclame & Vormgeving

photography of boards and CEO
Sander Stoepker

other photography
Gerrit Schreurs
Randstad Group photo database
Stock photography

text and editing
Randstad Holding nv
Baxter Communications BV

project management
Report Company

This annual report is powered by Tangelo

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If you have any comments on or questions about this annual report, please do not hesitate to contact us by email.