

remuneration report.

The Remuneration 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 General Meeting of Shareholders for adoption.

remuneration policy

The last update of the remuneration policy was adopted by the General Meeting of Shareholders in its annual meeting held on March 30, 2017.

The main objectives of the remuneration policy are:

- to attract 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;
- to balance short-term operational performance with the long-term objectives of the company and value creation for its stakeholders; and
- to align total compensation with the remuneration structure for senior management.

Remuneration levels are determined on the basis of a number of clear and transparent criteria. They are benchmarked against an international labor market peer group regarding base 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 base salary levels. It is composed of international staffing and business services companies, reflecting Randstad's size, profile and international scope. As of 2017, the peer group was extended from 13 to 24 companies, in line with good market practice. These are Accor, Adecco, Atos, Bureau Veritas, Capgemini, Capita, CGI, Compass Group, G4S, Equifax, Hays, Hilton Worldwide, Intertek Group, Manpower Group, Michael Page International, Kelly Services, Rentokil Initial, Recruit Holdings, Robert Half, Securitas, Sodexo Group, Thomas Cook, TUI, and Tyco International.
- 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.

For the performance share plans until 2016, this group is composed solely of staffing companies: Adecco, Hays, Groupe Synergie, Kelly Services, Manpower Group, Michael Page International, Robert Half International, TrueBlue, and USG People. Following its acquisition by Recruit Holdings, USG People was replaced by Recruit Holdings as of 2016. As of 2017, the group was extended to 19 companies, deleting two peers that operate primarily locally (Synergie and TrueBlue), while adding cyclical and asset-light business services companies (Capita, Compass Group, G4S, ISS, Office Depot, On Assignment, Rexel, Securitas, Sodexo, Staples, and WW Grainger). As Staples delisted in 2017, it was replaced by FedEx in 2018.

- As an additional sanity 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), excluding Royal Dutch Shell, Unilever, ArcelorMittal, Vopak, Galapagos, and the financial services companies.

executive board remuneration 2018

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; and
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, more than 60% of the total compensation of a member of the Executive Board is performance-related. The Supervisory Board, on the recommendation of its Remuneration 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 2018 and comparable 2017 remuneration amounts is included in [note 24](#) to the financial statements.

short-term compensation

base salary

In alignment with Randstad's size and profile, 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, it was decided to increase the base salaries of the Executive Board members by 3.5% as of January 1, 2018, 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.

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 predefined minimum level, no bonus will be paid out. In calculating the bonus, a sliding scale between the minimum level and the maximum level is used. As of 2017, the entire annual cash bonus has been based on the joint performance of the Executive Board to strengthen teamwork and focus on overall company goals.

The largest part of the achievable annual bonus (75%) is related to a certain number of financial targets. The choice and weight of these targets depend on the specific business objectives of each year, with the Supervisory Board selecting the appropriate annual targets from an agreed menu of financial targets (relative revenue performance versus the market, gross profit, EBITA, EPS, incremental conversion or recovery ratios, net debt, leverage ratio, and Days Sales Outstanding).

For 2018, the financial targets and their relative weighting have been set as follows:

- revenue growth per working day, with market share validation: the bonus opportunity ranges from 12.5% of base salary for minimum performance to 20% for on-target performance and 30% for maximum performance.
- EBITA margin: the bonus opportunity ranges from 12.5% of base salary for minimum performance to 20%

for on-target performance and 30% for maximum performance.

- Days Sales Outstanding: the bonus opportunity ranges from 5% of base salary for minimum performance to 10% for on-target performance and 15% for maximum performance.

Detailed numerical targets cannot be disclosed, as these are share price and competition sensitive.

To further underline joint responsibility, at the start of each financial year, following a presentation by the Executive Board, the Supervisory Board sets annual strategic and operational objectives. This bonus opportunity will be a maximum of 25% of base salary. These targets will only be disclosed if these are not share price or competition sensitive. For this reason, these targets cannot be disclosed for the financial year 2018.

In order to enhance the Executive Board's long-term focus and share ownership in Randstad, 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. In this context, sustainable performance means that during these three years, Randstad has progressed to achieve its strategic and financial targets, made a profit, and paid dividends to shareholders. The assessment of the Supervisory Board as to whether this sustainable performance was realized will be disclosed in the annual report. This disclosure will first be made in the annual report for the financial year 2020, referring to the three-year performance period 2018–2020. Members of the Executive Board are allowed to voluntarily convert up to 50% of their net annual bonus according to the same matching principles. Randstad shares need to be held for at least 5 years after the conditional award date, except for any share sales needed to settle related tax liabilities.

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

Until 2017, the related payout range was 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 annual bonus and grant letter. This power was not used in 2018, nor was any remuneration recovered from present or former Executive Board members.

Based on the achievement of the targets for 2018, the bonus entitlement with regard to performance in 2018 as a percentage of annual base salary can be specified as follows:

annual bonus payout, 2018

2018 performance target	possible maximum	payout as % of annual base salary
Financial targets	75%	20%
Team targets	25%	17%
	100%	37%

long-term compensation

To enhance alignment with the value creation objectives of shareholders, performance shares are granted to the members of the Executive Board on an annual basis.

The grant is dependent on Total Shareholder Return (TSR) and non-financial Key Performance Indicators (KPIs). 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 KPIs for Randstad's business, ambition, and long-term viability, five targets are added at the discretion of the Supervisory Board. These targets are also set at the start of the three-year vesting period.

Randstad is undergoing a transformation to meet and beat the challenges of the global trends away from its traditional business base. This implies a major shift in focus toward new worldwide categories and concepts, and requires an agile organization. At the same time, Randstad aims to continuously improve the way it delivers societal and company values. As a result, the Supervisory Board felt it appropriate to focus a larger part of long-term compensation on the achievement of the transformational strategies. As of 2017, the weighting for the long-term incentive was therefore rebalanced to 65% TSR (previously 80%) and 35% non-financial KPIs (previously 20%).

The international performance peer group is used to establish relative TSR performance. Until 2017, the peer group included 10 staffing/recruitment companies.

As of 2017, Synergie and TrueBlue have been excluded, as they operate primarily locally, and the peer group has been extended from 10 to 19 companies, adding cyclical, asset-light business services companies (Capita, On Assignment, G4S, ISS, Compass Group, Rexel, Securitas, Office Depot, WW Grainger, Sodexo, and Staples. As Staples delisted in 2017, it was replaced by FedEx in 2018). The related payout range has been 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
% until 2017	-	-	-	-	-	-	-	-	-	0	0	0	0	0	50	100	150	200	250
% as of 2017	0	0	0	0	0	0	0	0	0	50	75	100	100	125	150	150	175	200	200

All payout results and calculations will continue to be audited by our external auditor.

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

Prior to the grant, and following the advice of the Remuneration Committee, the Supervisory Board analyzes the possible outcomes of the allocation by looking at a number of scenarios for the performance period.

On February 13, 2018 (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, 2018, and on the fair value of the performance shares as at grant date of € 49.70 per share (TSR-

dependent grant) and € 43.23 per share (non-financial/sustainability-related grant).

The conditional on-target awards for 2018 are as follows:

conditional on-target awards, 2018

	number of shares
Jacques van den Broek	21,174
Henry Schirmer	15,352
François Béharel	13,947
Linda Galipeau	13,947
Chris Heutink	13,947

The non-financial targets for the 2018 grant are the following five targets from Randstad's strategic business plans and reporting framework:

- Net Promoter Score (NPS): a Top 3 position or at least position improvement in the Top 12 markets over the performance period;
- diversity: at least 50% females in senior management positions by the end of 2020;
- employee retention: a decrease of employee turnover;
- employer value proposition/employer branding: an increase of engagement scores;
- Randstad-VSO partnership: 10,000 marginalized people made employable through the partnership by the end of 2020.

At the end of the performance period 2018–2020, 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 a maximum of 50% vesting. The total minimum vesting equals 0%, and the maximum vesting equals 250%.

At the beginning of 2018, the performance shares that had been conditionally granted in February 2015 vested based on the relative TSR performance (80% of the allocation) over the period January 1, 2015, to December 31, 2017. TSR performance resulted in 100% vesting. The performance on the non-financial targets (20% of the allocation) over this period resulted in 145% vesting.

pension, other benefits, and internal pay ratio

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

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 are appointed for a period of four years.

internal pay ratio 2018

The internal pay ratio between the average pay of Randstad employees vis-à-vis the average pay of the CEO and the Executive Board members is calculated based on the average 2018 remuneration (including variable pay and long-term incentives) of a reference group (our 14 largest countries and the corporate functions encompassing 92% of Group revenue and 81% of total headcount) vis-à-vis the 2018 base salary, annual bonus and LTI costs of the Executive Board members. The pay ratio is 45:1 (2017: 52:1) for the CEO and on average 32:1 (2017: 38:1) for the Executive Board members.

executive board remuneration 2019

In line with the company's remuneration policy, it was decided to increase the base salaries of the Executive Board members by 3.0% as of January 1, 2019, 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.

For the annual bonus 2019, the financial targets and their relative weighting have been set as follows:

- revenue growth per working day, with market share validation: the bonus opportunity ranges from 10% of base salary for minimum performance to 15% for on-target performance and 20% for maximum performance.

- EBITA margin range: the bonus opportunity ranges from 15% of base salary for minimum performance to 25% for on-target performance and 35% for maximum performance.
- free cash flow: the bonus opportunity ranges from 10% of base salary for minimum performance to 15% for on-target performance and 20% for maximum performance.

Detailed numerical targets cannot be disclosed, as these are share price and competition sensitive.

To further underline joint responsibility, at the start of each financial year, following a presentation by the Executive Board, the Supervisory Board sets annual strategic and operational objectives. This bonus opportunity will at maximum be 25% of base salary. These targets will only be disclosed if they are not share price or competition sensitive. As they are for 2019, these targets cannot yet be further specified.

The conditional grant of performance shares 2019 is dependent on TSR (65%) and the following non-financial targets (35%) from Randstad's strategic business plans and reporting framework:

- ultimate goal: introduce a solid methodology to measure including quantifiable KPIs;
- customer delight: implemented in the top 8 markets and significant improvement of scores;
- employee engagement: at least 80% participation and outperformance of the benchmark annually;
- as well as two targets which we cannot disclose as they are share price or competition sensitive.

supervisory board remuneration 2018 and 2019

Information with regard to the remuneration of the Supervisory Board in 2018 is included in the section [report of the supervisory board](#). An overview of the 2018 and comparable 2017 remuneration amounts is included in [note 24](#) to the financial statements.

The remuneration of the Supervisory Board, including its Committees, will remain unchanged in 2019.