

remuneration policy and report 2017 for randstad holding nv

This report is the extended version of the remuneration paragraphs in the annual report 2017, and sets out the remuneration policy and its main components, as well as an overview of the actual remuneration of the members of the Executive Board and the members of the Supervisory Board in 2017. The annual report can be found on the corporate website.

1 remuneration governance

In 2017, Randstad applied the remuneration policy for the members of the Executive Board as adopted by the Annual General Meeting of shareholders.

Within the scope of the adopted policy, and in accordance with the Articles of Association (Article 9.6), the Supervisory Board establishes the remuneration and other terms of employment of the members of the Executive Board, based on advice from the Remuneration and Nomination Committee (the 'Committee'). Material changes to the remuneration policy and any proposals relating to Supervisory Board remuneration are submitted to the Annual General Meeting of Shareholders for approval. The last update of the remuneration policy was adopted by the Annual General Meeting of Shareholders held on March 30, 2017.

Terms of reference have been established for the Committee, specifying its role, responsibilities, composition, and working processes. These terms can be found on the corporate website in the corporate governance section.

1.1 remuneration and nomination committee

The Committee comprises Giovanna Kampouri Monnas (Chair regarding remuneration), Wout Dekker (Chair regarding nomination), and Barbara Borra. In 2016, the Committee met four times. The CEO participated in part of these meetings. The Committee regularly makes use of external advice, notably from Korn Ferry Hay Group and Towers Watson. More information about the topics discussed during the meetings can be found in the report of the Supervisory Board in the annual report (page 98).

Given the strategic importance of the selection and retention of senior management for the long-term success of the company, Randstad has opted for a combined Remuneration and Nomination Committee. As from 2018, the Supervisory Board will install a Governance & Nomination Committee and a Remuneration Committee.

The duties and powers of the Committee (as referred to in Article 2 of the Committee's terms of reference) in regard to Executive Board remuneration revolve around submitting a clear and understandable proposal to the Supervisory Board for the remuneration policy and the execution of such policy for members of the Executive Board, whereby the following aspects are taken into account:

- the objectives for the strategy for the implementation of long-term value creation;
- the culture, core values and business principles of Randstad;
- the scenario analyses carried out in advance;
- the pay ratios within Randstad, including the pay levels of senior management;
- the development of the share price; and
- an appropriate ratio between the variable and fixed remuneration components.

2 executive board remuneration

The last update of the remuneration policy was adopted by the Annual General Meeting of Shareholders held on March 30, 2017. The key reasons for updating the remuneration policy were:

- to align with the strategic direction for the transformation of Randstad;
- to strengthen the focus on long-term sustainable value creation;
- to stay focused on the values and societal aspirations of Randstad; and
- to reward the Executive Board as a team rather than as individual members.

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, Trueblue Inc, 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 2 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 will be replaced by FedEx as of 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.

The remuneration package of the Executive Board currently contains the following components:

- Short-term compensation, consisting of a base salary and an annual cash bonus opportunity;
- Long-term compensation, consisting of performance shares; and
- Pension contribution 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, upon recommendation from its Remuneration and Nomination Committee, sets the targets prior to each performance period. Performance targets and conditions are derived from Randstad's strategy, annual business plans, and market analysis.

2.1 executive board remuneration in 2017

In 2017, the remuneration of the Executive Board consisted of three components:

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

An overview of the 2017 and comparable 2016 remuneration amounts is included in note 24 to the financial statements.

2.1.1 short-term compensation

base salary

The update of the remuneration policy in 2017 did not result in a change of base salary levels. 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 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.

annual cash bonus opportunity

The update of the remuneration policy in 2017 kept the bonus opportunity unchanged. 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 previous 15% bonus opportunity based on individual targets and the 10% discretionary bonus have been discontinued.

The largest part of the achievable annual bonus (75%) continued to be related to a certain number of financial targets. In contrast to previous practice, however, the choice and weight of these targets now 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 until 2017 (revenue, gross profit, EBITA, EPS, net debt, leverage ratio, and debtor days), relative revenue performance versus the market and incremental conversion or recovery ratios are also taken into account. These two new measures are key to enabling the company to focus on growing profitably within the market.

For 2017, the financial targets and their relative weighting have been set as follows:

- revenue, with market share validation: the bonus opportunity ranges from 15% of base salary for minimum performance to 25% for on-target performance and 35% for maximum performance;
- EBITA margin: the bonus opportunity ranges from 10% of base salary for minimum performance to 15% for on-target performance and 25% for maximum performance;
- debtor days: 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 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 2017.

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

Based on the achievement of the targets for 2017, the bonus entitlement with regard to performance in 2017 as a percentage of annual base salary can be specified as follows:

annual bonus payout, 2017

2017 performance target	possible maximum	payout as % of annual base salary
Group revenue performance	35%	35%
Group EBITA margin	25%	14%
Debtor days	15%	0%
Team targets	25%	18%
	100%	67%

2.1.2 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 world-wide 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.

Until 2017, 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%

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). 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
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 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 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. 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 by looking at a number of scenarios for the performance period.

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.

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 14, 2017 (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, 2017, and on the fair value of the performance shares as at grant date of € 46.88 per share (TSR-dependent grant) and € 42.68 per share (non-financial/sustainability-related grant).

The conditional on-target awards for 2017 are as follows:

conditional on-target awards, 2017

	number of shares
Jacques van den Broek	22,066
Robert Jan van de Kraats	15,986
François Béharel	14,043
Linda Galipeau	14,043
Chris Heutink	14,043
	80,181

The non-financial targets for the 2017 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 countries over the performance period;
- employee engagement: at least 80% participation and outperformance of the benchmark annually;
- growth in Professionals above market compared to Randstad's key competitors;
- growth in permanent placements above market compared to Randstad's key competitors; and
- a target related to Randstad's digital strategy, which cannot be disclosed at this stage.

At the end of the performance period 2017–2019, 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 2017, the performance shares that had been conditionally granted in February 2014 vested based on the relative TSR performance (80% of the allocation) over the period January 1, 2014, to December 31, 2016. TSR performance resulted in 150% vesting. The performance on the non-financial targets (20% of the allocation) over this period resulted in 130% vesting. The total payout ratio for both grants is 147%.

The Supervisory Board may, at its sole discretion, deviate from the plan rules and the agreement, in accordance with the principles of reasonableness and fairness. 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 downwards or upwards. The Supervisory Board may also recover from the Executive Board any variable remuneration awarded on the basis of incorrect financial or other data. This provision is included in the annual grant letter.

2.1.3 other remuneration-related elements

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 are appointed for a period of four years.

The members of the Executive Board, and the dates of commencement of their Board membership, are:

François Béharel	- January 16, 2013
Jacques van den Broek	- January 1, 2004
Linda Galipeau	- March 29, 2013
Chris Heutink	- April 3, 2014
Robert Jan van de Kraats	- September 1, 2001

internal pay ratio 2017

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 2017 remuneration (including variable pay and long-term incentives) of a reference group (our 14 largest countries and the corporate functions encompassing 90% of Group revenue and 79% of total headcount) vis-à-vis the 2017 base salary, annual bonus and LTI costs of the Executive Board

members. The pay ratio is 52:1 (2016: 48:1) for the CEO and on average 38:1 (2016: 36:1) for the Executive Board members.

An overview of the 2017 and 2016 amounts (in € 1,000), as included in the notes to the financial statements, is given below:

executive board remuneration

	fixed compensation				variable compensation				other benefits/ expenses		total	
	base salary		pension charge		short-term bonus		share-based payments					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
J.W. van den Broek	1,000	1,000	270	270	670	650	1,270	1,096	37	37	3,247	3,053
R.J. van de Kraats	724	710	196	192	485	462	939	842	36	35	2,380	2,241
F. Béharel	636	624	172	168	426	406	825	739	301	299	2,360	2,236
L. Galipeau	717	717	194	194	480	466	825	739	104	80	2,320	2,196
C. Heutink	636	624	172	168	426	406	825	739	29	28	2,088	1,965
Total	3,713	3,675	1,004	992	2,487	2,390	4,684	4,155	507	479	12,395	11,691

The numbers of (performance) stock options outstanding per December 31, 2017 are as follows:

number of (performance) stock options outstanding in 2017

	year of granting	january 1, 2017	exercised in 2017	share price at exercise	december 31, 2017	exercise price	end of exercise period	average fair value at grant date
J.W. van den Broek	2010	7,083	(7,083)	57.28	-			
	2011	12,614			12,614	€ 39.16	February 2018	€ 21.00
	2012	15,382			15,382	€ 28.11	February 2019	€ 11.31
R.J. van de Kraats	2010	4,031	(4,031)	55.95	-			
	2011	14,359	(14,359)	56.24	-			
	2012	17,511	(6,000)	52.29	11,511	€ 28.11	February 2019	€ 11.31
Total		70,980	(31,473)		39,507			

The number of performance shares outstanding per December 31, 2017 was as follows:

number of performance shares outstanding in 2017

	year of award	january 1, 2017	number of shares on target 2017	performance adjustment at vesting 2017	vested in february 2017	december 31, 2017
Performance shares						
J.W. van den Broek	2014	25,537		12,009	(37,546)	-
	2015	30,099				30,099
	2016	21,486				21,486
	2017		22,066			22,066
R.J. van de Kraats	2014	21,475		10,099	(31,574)	-
	2015	23,060				23,060
	2016	15,260				15,260
	2017		15,986			15,986
F. Béharel	2014	18,864		8,872	(27,736)	-
	2015	20,258				20,258
	2016	13,405				13,405
	2017		14,043			14,043
L. Galipeau	2014	18,864		8,872	(27,736)	-
	2015	20,258				20,258
	2016	13,405				13,405
	2017		14,043			14,043
C. Heutink	2014	18,864		8,872	(27,736)	-
	2015	20,258				20,258
	2016	13,405				13,405
	2017		14,043			14,043
Total		294,498	80,181	48,724	(152,328)	271,075
Performance shares of former Board members						
L.J.M.V. Lindelauf	2014	9,433	-	4,434	(13,867)	-
Total		9,433	-	4,434	(13,867)	-

The performance shares 2014 vested in early 2017, based on relative TSR performance of the company and reaching certain sustainability targets over the period January 1, 2014 - December 31, 2015, resulting in an overall vesting of 147% of the on-target award (share price at allocation of € 57.00).

Final allocation after vesting of conditional shares awarded in 2015, 2016, and 2017 will take place in February 2018, 2019 and 2020 respectively.

The number of ordinary shares in Randstad Holding nv held by members of the Executive Board as per December 31, 2017 was as follows:

number of ordinary shares in randstad holding nv, held by executive board members

as at December 31, 2017

	total	unrestricted shares	locked up	
			number	until
J.W. van den Broek	96,405	59,580	17,814	February 2018
			19,011	February 2019
R.J. van de Kraats	39,410	3,144	20,279	February 2018
			15,987	February 2019
F. Béharel ¹	83,348	30,468	30,791	February 2018
			22,089	February 2019
L. Galipeau	28,702	-	16,327	February 2018
			12,375	February 2019
C. Heutink	14,044	-	14,044	February 2019

¹ Due to French tax regulations, the number of shares locked up for François Béharel are relatively high.

2.2 executive board remuneration in 2018

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.

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

- revenue, 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.
- debtor days: 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 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 2018, these targets cannot yet be further specified.

3 supervisory board remuneration

The Annual General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board members. 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 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.

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.

3.1 supervisory board remuneration in 2017

The total remuneration of the Supervisory Board members in 2017 amounted to € 684,000. The details per Board member are specified in the table below.

supervisory board remuneration

	2017	2016
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 & Nomination Committee		
Chair	9,000	9,000
Members	7,000	7,000
Strategy Committee		
Chair	8,000	8,000
Members	6,000	6,000
Current board members		
W. Dekker, Chairman	128,500	128,500
J. Winter, Vice Chairman	107,500	107,500
B. Borra	94,000	94,000
F. Dorjee	88,500	88,500
H.M.E.V. Giscard d'Estaing	88,500	88,500
G. Kampouri Monnas	91,500	91,500
R. Provoost	90,000	88,500
Total remuneration	684,000	687,000

Henri Giscard d'Estaing holds 450 ordinary shares in Randstad Holding nv per December 31, 2017 and 2016.

The company has not issued any loans, commitments to provide loans or guarantees to members of the Supervisory Board.

The members of the Supervisory Board receive a fixed annual expense allowance of € 2,000 net for members and € 3,000 net for the Chairman. Taking into consideration the 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.

3.2 supervisory board remuneration in 2018

The remuneration of the Supervisory Board will remain unchanged in 2018.