randstad policy

Remuneration policy Executive Board

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Introduction

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

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

1. Executive Board remuneration perspective

1.1 Perspectives

1.1.1 Organizational perspective

Against the backdrop of a changing world of work, Randstad has the vision to be the world's most equitable and specialized talent company. Our partner for talent strategy ensures that all talents and clients receive the focused expertise they are looking for. We help talent find secure and meaningful roles and support them in developing skills for lifelong employability. By understanding our clients' specialized needs, we are uniquely positioned to provide them with the high-quality, diverse, and agile workforces they need at speed and scale. By helping both talent and clients simultaneously we feel accountable to create a fairer, more equitable labor market, whilst creating sustainable and long-term economic value.

Translating the above into a compass for remuneration we believe that next to three important hygiene factors (internal alignment, competitiveness in the market and explainable to stakeholders), this requires us to focus on three additional key elements: fairness, flexibility and long-term focus. We have grouped this under what we call our 'organizational perspective'.

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

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

- **Flexible**
  - To reinforce our focus on performance
  - To allow adjustment of performance criteria to continuously measure relevant objectives as we continue to progress on our journey
  - To enable us to let our remuneration costs 'breathe' with organizational performance
  - To recognize that we are (highly) susceptible to macroeconomic movements and protect us from harmful effects

  This is reflected – amongst others – through an adaptable and scenario based incentive scheme that aligns our variable remuneration kpis with key business performance indicators that are derived from our strategy and business plans. Where appropriate we also apply relative measures (e.g. relative TSR in our long-term incentive plan (PSP)) or relative revenue performance versus the competition in our short-term incentive plan to also measure performance independent of the economic cycle.

- **Long-term focused**
  - To ensure we stay on course becoming the most equitable and specialized talent partner

  This is reflected – amongst others – through our variable remuneration where our short term (STI) objectives are aligned with our long-term goals and our PSP is dependent on the achievement of goals over multiple years. All kpis are directly derived from our strategic objectives. Furthermore, our PSP is share based and has a holding requirement after vesting to reinforce alignment of our Executive Board members with the long-term interests of our shareholders.

1.1.2 Internal perspective

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

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

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

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

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

1.1.3 External perspective

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

To ensure a meaningful comparison we have selected a group of companies (our ‘peer group’) that represents our market for executive talent. This peer group is composed of Randstad’s direct business competitors in the international staffing industry and IT services companies, and general industry companies reflective of Randstad's size, profile and international scope. Within this group we select as much as possible European, two-tier companies. The number of non-European companies in the peer group is capped at 35%. As a secondary comparison and to ensure alignment with the local market, we take the AEX index as a reference.

The Supervisory Board will conduct regular reviews of the peer group composition to ensure an appropriate composition of the peer group. The composition of the group may change over time due to corporate events such as takeover transactions, mergers or other activities. The companies included in our peer group are:

Adecco Group AG	Capgemini SE	Nokia Oyj	Rexel SA
Recruit Holdings Co Ltd	Kyndryl Holdings Inc	International Cons. Airlines	Evonik Industries AG
ManpowerGroup Inc	DXC Technology Company	Adidas AG	Koninklijke Philips NV
Robert Half International Inc	Deutsche Lufthansa AG	Henkel AG & Co KGaA	Rolls-Royce Holdings PLC
Korn Ferry	Michelin SCA	Brenntag SE	Skanska AB

1.1.4 Stakeholder perspective

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

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

2. Executive Board remuneration elements

2.1 Overview of remuneration elements

The Total Direct Compensation package of our Executive Board consists of:

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

Randstad aims to position Total Direct Compensation for all Board Members around the median market level of the defined peer group. To ensure alignment with the local (Dutch) market where our headquarters is placed, a secondary comparison with the AEX index will be considered as well as additional perspectives such as internal alignment. The STI and LTI target percentages are set in line with market aligned levels. The Total Direct Compensation will be increased gradually over time towards the desired positioning.
In exceptional circumstances, the Total Direct Compensation can be positioned up to 75th percentile of the labour market peer group, due to the work location of the EB member, unique experience or skill set, joining through acquisitions or other such unique circumstances to avoid remuneration becoming a barrier to attract and retain business critical talent. The overview below summarizes the remuneration structure including the target and maximum values for the variable payments.

	Target value		**Maximum value**
	CEO	**Other Board Members**	
Base salary	100%	100%	1x target
Short Term Incentive	120% of base salary	100% of base salary	1.5 x target
Long Term Incentive	175% of base salary	150% of base salary	2x target

2.2 Base salary

Base salary levels are decided upon in light of the different perspectives that were outlined in the previous section.

The base salary levels may be adjusted annually within reason depending on market movements and base salary adjustments of Randstad employees. Actual base salaries and annual increases will be reported in the remuneration report.

2.3 Short Term Incentive

The maximum target Short Term Incentive (STI) opportunity is equal to 120% of base salary for the CEO and 100% of base salary for other Board members. In case of outperformance a maximum STI opportunity of 1.5x the target value can be achieved. If performance is below a predefined minimum (threshold) level, no STI will be paid out. In calculating the STI, an equal sliding scale between the target level and the maximum level is used. To strengthen teamwork and focus on overall company goals the STI is fully based on the joint performance of the Executive Board.

The largest part of the STI (minimum weight of 75%) is related to a certain number of financial targets. The Supervisory Board ultimately selects annually the appropriate financial targets from a menu of measures (being: revenue growth, relative revenue growth, gross profit growth, relative gross profit growth, EBITA margin, EPS, incremental conversion or recovery ratios, net debt, leverage ratio, free cash flow and Days Sales Outstanding). The choice and weight of these targets depend on the specific business objectives of each year. These are based on a quantified scenario-based proposal by the Executive Board in alignment with the long-term strategic plan.

To further underline joint responsibility, the Supervisory Board sets annual non-financial objectives which focus on the progress of the strategy implementation (maximum weight of 25%). All set targets are disclosed in the remuneration report unless they are deemed share price or competition sensitive by the Supervisory Board.

2.4 Long Term Incentive

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

The maximum face value target Long Term Incentive (LTI) opportunity is equal to 175% of base salary for the CEO and 150% of base salary for other Board members. In case of outperformance a maximum LTI opportunity of 2x the target value can be achieved.

The grant is dependent on relative Total Shareholder Return (TSR) as a financial key performance indicator (KPI) and three to five strategic KPIs. In addition, there is the option to add a second financial KPI when it is deemed that this will further strengthen the link to long-term value creation. Performance against the KPIs is measured over a three-year performance period. Should a second financial measure be chosen, it will be disclosed in the annual remuneration report for the year it is applicable.

The weighting for the long-term incentive is balanced with at least 65% financial (one to two measures) and at most 35% strategic KPIs to reflect our strong focus on long term success while simultaneously underlining our commitment to financial performance. The weight of the relative TSR measure will be between 40%-65% and the potential other financial KPI will have a weight up to 25%. Both financial measures combined will not be more than 75%.

We assess our TSR performance in a relative manner against a number of peer companies, as such measuring the development of the Randstad share price over a three-year performance period compared to these peers. The international TSR performance peer group differs somewhat from the list used as remuneration benchmark for the external perspective, as in this case not the size and complexity of the company but the sensitivity of the share price in relation to the economic cycle is the relevant commonality to take into account. The Supervisory Board will conduct regular reviews of the peer group composition to ensure an appropriate composition of the peer group. The composition of the group may change over time due to corporate events such as takeover transactions, mergers or other activities. The companies currently included in our TSR performance peer group are:

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

TSR data are compiled and reported by a reputed external data provider.

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

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

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

Performance shares need to be retained for at least two years after vesting, except to the extent necessary to settle any related tax liabilities related to those shares. Prior to the grant, and following the advice of the Remuneration Committee, the Supervisory Board analyses the possible outcomes of the allocation by looking at a number of scenarios for the performance period.

2.5 Share Ownership Guidelines

The Supervisory Board believes that the Executive Board Members will most effectively pursue the long-term interests of our shareholders if they are shareholders themselves. As such, Members of the Executive Board are required to build up a certain number of Randstad shares as a percentage of their gross base salary. The CEO is required to hold 200% of gross base salary and the other members of the Executive Board 100% of their gross base salary.

2.6 Pension and other benefits

The pensions and other benefits for which Executive Board members are eligible are intended to be competitive in their relevant location (home or host country) and may evolve year-on-year. The pension and benefits arrangements which were entered into prior to the amendment of the remuneration policy with existing Executive Board members will remain honored also upon reappointment into the Executive Board.

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

Details on the pension and other benefits arrangements will be disclosed by the Supervisory Board in the respective year's Remuneration Report.

3. Governance

3.1 Introduction

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

3.2 Service agreements

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

3.3 Deviation, adjustment and claw-back

As provided under Dutch statutory law, the Supervisory Board may temporarily and under exceptional circumstances deviate from this remuneration policy. Exceptional circumstances cover only situations in which the deviation from this remuneration policy is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability. Deviation is limited to the elements described in this policy. In cases where deviation would result in remuneration higher than the current policy maximum level, such additional remuneration is capped at one times total target remuneration.

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 (claw-back) from the Executive Board any variable remuneration awarded on the basis of clear incorrect financial or other data or in case of material gross negligence, fraud, willful misconduct or material breach of the Company's business principles. Application of these clauses in any given year will be explained to the shareholders in the following remuneration report.

3.4 New hire policy

In the case of external hires, the Supervisory Board may on a case-by-case basis decide to grant a buy-out award either in cash and/or shares, to compensate for the loss of remuneration that an incoming Executive Board member would face upon a transfer of service.
Such an award would be limited to a comparable value to the arrangements forfeited. The rationale and detail of any such award will be disclosed in the annual remuneration report. In case of internal promotion, commitments made prior to the appointment as a member of the Executive Board may continue to be honored.

3.5 Severance arrangements

In the event of severance, a maximum of one year's annual base salary, in addition to a 6-month notice period, applies to all Executive Board members. Variable incentives treatment in case of termination will be according to plan rules.

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partner for talent.