

risk & opportunity management.



risk & opportunity management

Our approach to risk and opportunity management is essential to achieving our strategy. We promote entrepreneurship and innovation throughout the organization. There are measures in place to define our risk boundaries and opportunities to steer our business in the right direction.

risk profile and approach

Our business steering provides the agility to convert risks into opportunities. We manage risks and opportunities within the boundaries defined by our risk appetite. We then develop global policies and frameworks to support market management in determining the best approach in light of market circumstances. We are committed to ESG, and therewith constantly evaluate applicability of frameworks such as Task Force on Climate-Related Financial Disclosures (TCFD) and legislation such as Corporate Sustainability Reporting Directive (CSRD). This evaluation includes the effectiveness of implementing elements of such frameworks to reach our ESG objectives. Also the process and results of the company’s double materiality assessment (DMA) are key elements of our continuous risk analyses both leveraging on the DMA results as well as providing input to the DMA process. We consider the DMA to be an integrated part of our opportunity and risk management structure and work. Where deemed applicable assessments and analyses are also done on climate risks. This to support transitions that enable the company to secure business continuity.

risk appetite

Our risk appetite is derived from our strategy and priorities, taking into account our risk capacity and regulatory environment. A risk appetite assessment dialogue is held with the Supervisory and Executive Boards to reaffirm the Randstad risk appetite, and the outcomes of that process form the basis for our Risk & Control framework. Our risk appetite is broken down into four risk areas, shown below:



risk & control framework

Our global Risk & Control framework is designed to secure the Randstad Group's in-control position, while allowing agility to adapt to market circumstances and enabling entrepreneurship and innovation. The components of the framework are shown in the Risk & Control framework diagram 1, which is aligned with the Enterprise Risk Management and Internal Control Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and elements from various other management control models. Factors that we consider in the application of our Risk & Control framework include the size, service offering, and local regulatory and business environment of each market.

Our markets and global functions assess the components of the Risk & Control framework at least annually, and risk-based internal audits are executed to evaluate these self-assessments. The results of self-assessments and audits, including mitigation and improvement plans, are discussed by management, the Business Risk & Audit function (BR&AF), and the chief executives responsible for the markets and functions involved. Every quarter, the BR&AF also reports to the Executive Board and the Audit Committee on the state of the Group's risk & control situation. The Executive Board and Audit Committee set priorities and provide guidance to further enhance control throughout the Group.

diagram 1
Risk & Control framework



research and analyze the world of work

The world of work, as we have described in our Annual Report and in the section Thought leadership on our websites, is changing as a result of, for example, demographics, skills changes, AI and regulations. By continuously researching and monitoring these trends and their impact on the labor market, we can anticipate and adapt our strategy and service delivery models, manage risks and capture our opportunities.

set strategy and adapt business models

On our website and in our annual report our vision, strategy and value creation model are explained. The strategy is developed top-down and bottom-up for validation. We are very deliberate about the implementation and execution of our strategy and business model. Our strategy execution and transformation involves detailed planning for each of our five strategic pillars, specializations and for all our markets. This can then be accelerated, where appropriate, based on measurements, analysis and steering.

supporting culture and tone at the top

Our core values and business principles, which are embedded in our leadership style and tone, determine our culture and drive behavior, as we explain in the section 'best team' of our strategy. On joining Randstad, our employees are trained in our business principles and must acknowledge compliance. Refresher training programs form a crucial part of our culture, reinforcing our strategy and a strong cultural foundation with core values and business principles.

Our Randstad employee engagement survey is conducted several times a year. This allows us to monitor employee engagement at departmental level, provides indicators of the tone at the top, culture and behavior, and facilitates open dialogue. The survey results are reviewed by HR, the Executive Board, various management layers and discussed within departments. Randstad ensures that professionals in our legal, tax, treasury, accounting and audit functions have, and maintain, an appropriate level of knowledge. We do this through a focused recruitment strategy and access to training and other development possibilities, including equipping employees to deal with dilemmas.

A misconduct reporting procedure is in place, which enables people to report any suspicions of wrongdoing via our Integrity Line (a secure phone line and web portal). All complaints are assessed and investigated where necessary by local integrity officers and/or our central integrity officer, together with the Business Risk & Audit function. An Ethics & Compliance Committee monitors worldwide case handling. Wherever necessary, disciplinary actions and mitigating controls are put in place. For more details, see the section on misconduct reporting of Annual Report.

digital delivery and randstad talent platform

We have various delivery models and a framework of global policies that cover operational needs and compliance across multiple areas. These are translated into detailed standard operating process workflows. Our specialized delivery and talent center models determine our way of working. Our successful technological solutions provide standard practices for our core commercial operations and are tailored to market conditions. Solutions are based on our operational best practices for key processes to make them repeatable. Further training and use of technologies such as our Randstad Talent Platform govern how these processes are operated. Policies and blueprints for key processes, such as talent and client delivery, contract-to-cash and payroll, are regularly updated to align with the latest risk and opportunity developments.

performance management

Performance management is at the heart of our organization, with an established cadence and rigor. Scenario planning and forecasts are set in accordance with strategic priorities and market trends. Markets describe their main risks and opportunities, derived from their objectives, in their risk registers. The risk & control situation is summarized twice a year for each market, as part of performance reporting.

Internal reporting and business reviews are conducted on various performance indicators relating to financial and non-financial results, underlying process activities, and people. Through granular and bottom up analysis of performance indicators weekly, monthly and quarterly, we gain clarity to plan ahead and enhance our control position. Risks and opportunities are explicitly included in our management reporting. This combination of focus on performance and risk & control monitoring gives more depth to discussions in business performance meetings and Great Conversations. See the section 'performance management' in our Annual Report for more details.

For further information, please also refer to our non-financial KPIs in the Social, Governance and Environmental chapters within the Sustainability Statements in our Annual Report and on our website.

risk & control activities

Further risk & control activities secure our in-control position. Risk registers are compiled to identify our market and functional risks and opportunities, together with related action plans and deadlines for addressing them.

The aggregate of that data provides insights into the most important risks impacting the Group and their correlation. The overall consolidated risk profile is discussed multiple times a year by the Executive Board and the Audit Committee.

Our Key Control Framework contains our key operational, compliance and financial risks, and the practical controls to guide all activities. The structure of the Key Control Framework is organized around Randstad's core process: the matching of clients and talent. At least once a year, self-assessments are conducted for the relevant controls. The results

are then challenged by the Business Risk & Audit function and checked during audits of related processes. Updates of the Key Control Framework ensure continuous improvement. For example recently we redesigned and implemented a new IT and cyber security controls structure, further improvements and implementation are ongoing.

Key tax risks are also governed by our Key Control Framework, which has tax controls embedded in it. The Tax Control Framework forms the basis of our tax risk management actions globally and covers all tax functions performed within the Group. The framework is regularly reviewed and updated, both internally and as part of the external audit of the annual accounts. The application of the Tax Control Framework and our transparent way of working help us to identify potential tax disputes and controversies at an early stage, which contributes to minimizing our contingent tax position.

Our treasury and 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 and policies.

reviews and audits

Through reviews and audits we gain insight that our risk & control objectives are being realized in line with our set risk appetite. The global Business Risk & Audit plan is risk-based. Our annual Key Control Framework assessments at operating level feed into Group-wide in-control benchmark discussions in meetings of both the Executive Board and the Audit Committee. In these discussions, risk & control priorities are set, and the quarterly rolling global Business Risk & Audit plan and control improvement plans are updated, tracked and agreed. Observations, root causes and action plans from audits are discussed with responsible management. The progress of action plans is monitored by operational management, the Business Risk & Audit function, the Executive Board and the Audit Committee.

Tax risk management is subject to periodic (external) audits, reviews and reporting to the Executive Board and the Audit Committee. Our global tax compliance and control function makes extensive use of data from financial systems, and Randstad applies finance and tax technology to ensure proper tax compliance and tax control.

Our Group-wide Business Risk & Audit function is a sounding board for emerging opportunities, risks and possible internal control gaps. For additional reassurance, we have engaged BDO to perform financial audits and controls assessments in multiple countries.

In recent years, we detected a small number of fraud cases, involving, for example, the recording of and payment for fictitious hours by temporary workers. These fraud cases were investigated and, in cooperation with management, corrective actions were taken. They involved small amounts of money and had no material impact on the Group. Cases were communicated internally and used to raise fraud awareness and improve fraud prevention. Every year, we conduct a global fraud risk assessment, and the results are discussed in the Executive Board and the Audit Committee.

governance

Our corporate governance arrangements are described in the corporate governance statement and the governance section of the sustainability paragraph in our Annual Report. Our Internal Governance and Authorization & Consultation policies are set out in our internal governance structure. Randstad's Executive Leadership Team develops, executes and drives our strategy.

Our teams in our different markets are the cornerstone of that strategy, they bring entrepreneurship and are empowered to drive and steer our businesses. At the same time, our functions collaborate and enable the Group's competitive advantage and economies of scale in service offerings, delivery and technologies. Our global policies framework sets the boundaries in accordance with our risk appetite.

Markets submit their in-control statements semiannually. This internal in-control statement certifies that our corporate policies and applicable laws have been complied with, and it explains any exceptions or deviations that have occurred. Compliance with all applicable tax laws and regulations is an essential part of our in-control statement. The in-control statement explicitly confirms that all local tax declarations and returns have been prepared in accordance with global Randstad policies and guidelines to assure global tax compliance. The internal in-control statement forms a cascaded certification, which assists the Executive Board in determining our risk & control situation, as required by the Dutch Financial Supervision Act and Dutch Corporate Governance Code.

In its audit plan, our external auditor PWC covers all financially significant operations. These audit procedures are an important supplement to our own monitoring and audit activities. Our Audit Committee is informed about the results of both external and internal audits, as well as about the outcomes of bottom-up risk assessments and control self-assessments performed by management and the in-control statements. More information is to be found in the report of the supervisory board and corporate governance statement in our Annual Report and corporate governance section on our website.

3 lines in our risk & opportunity management process

The three lines model is applied to our risk & opportunity management framework to provide sufficient segregation, independence and objectivity over the process.

1st line	For risk & opportunity management: executive and operational management (i.e. business leadership) are the owners of the enterprise risks & opportunities and are accountable for proposing, setting and operationalizing the risk appetite via the design and implementation of controls. The executive and supervisory boards monitor to ensure it aligns with Randstad's strategy, culture, and capacity.
2nd line	For risk & opportunity management: specialists and functions perform risk analyses in their area of responsibility. This includes functions such as Tax, IT, Information Security, Data Protection and Treasury, etc. The functions create policies and the specialists create standard operating procedures and design controls that are followed in the functions and Markets. The functions and specialists take decisions on, monitor and oversee the risk & opportunities, the control activities and control improvement requirements in light of the risk appetite set by the boards. The Business Risk & Audit function facilitates broader enterprise risks analyses. By facilitating we mean in particular organizing risk workshops, management control self assessments, professional support etc. and reporting on facts, as opposed to taking risk & control management decisions.
3rd line	For risk & opportunity management: through reviews and audits, the Business Risk & Audit function gains insight in, and reports on, whether risk & control objectives are being realized in line with the set risk appetite. The Business Risk & Audit function provides assurance to management, the Executive Board and the Audit Committee on Randstad's risk management, control and governance systems. The Business Risk & Audit function challenges the operational and broader enterprise risk & opportunity positions undertaken by the leaders of the markets, functions and global organisation. The final risk & opportunity and controls effectiveness overviews, are discussed with and decided upon by experts and ultimately with the Executive Leadership Team, Executive Board and Audit Committee.

Risk & control activities secure our in-control position. The Business Risk & Audit function facilitates broader enterprise risks analysis while operational line management and functional leaders remain responsible for identification, prioritization and mitigation of risks. Thus the process is conducted by multiple risk management practitioners and in various markets, regions and functions. Through these interactions regular and implicit risk management training and awareness is being incorporated across the business. Risk registers are compiled to identify the market, function specific and enterprise risks and opportunities, together with action plans and deadlines for addressing these. Risk management relies on the ability to identify risks that impact our ability to meet our objectives. Classification of the identified risks is required to enable priority setting and a meaningful conversation. For this, Randstad has a standard risk rating guidance for global use. This includes a definition of risk rating criteria over 3 dimensions: impact, likelihood and velocity. The aggregate of that data enables us to get insight into their correlation and most important risks impacting the Group.

Our central risk management activities thereby not only rely on the risk assessment cycle but also on risk management activities performed by different functions and operations within Randstad on a daily basis. These activities provide essential insights to the consolidated risk view for Randstad Group. Risks are the basis for key governance and compliance activities such as audits, internal controls and fraud prevention. It is also linked to initiatives of other Global functions such as e.g. Data Privacy and Information Security risk assessments.

The Business Risk & Audit function is a sounding board for emerging opportunities, risks and possible internal control gaps. The Business Risk and Audit function conducts emerging risk identification and assessment process biannually in the second and fourth quarters of each year. The objective of these sessions is to proactively identify and evaluate potential emerging risks that may impact Randstad. To support this process, the BR&AF leverages a diverse range of information sources, including open-source intelligence, economic forum publications, etc. During dedicated roundtable discussions, BR&AF team members contribute their expertise and insights to highlight potential developments and emerging risk trends.

While we focus on managing existing key risks, we try to also be keenly aware of imminent emerging risks (and opportunities) that can significantly impact us. We therefore track the economic outlook, technological developments and geopolitical developments and conflicts, which affect talent mobility and global free trade. Climate change and AI is progressively integrated with our businesses and lives. Beyond AI, further proliferation of neuro- and bio-metrics and enhancements (wearable) technologies and the collection of related sensitive data introduce a novel external risk. For more details on our risk profile and emerging risks we refer to our annual report.

quality assurance over the risk management process

We review and benchmark our risk management framework and processes in different ways. To support consistent outcomes from our risk management practices, topic experts in the Business Risk & Audit Function team facilitate the enterprise risk management and assessment framework. Our professional practices team, which reports to the MD Business Risk & Audit Function, provides quality assurance over the process.

Our risk management experts facilitate the risk management and assessment process at both market-level as well as our enabling functions-level. To ensure the design of our risk management framework and process follows generally accepted techniques and frameworks, we query new available risk management theory and frameworks to benchmark our risk management process, we also periodically benchmark our framework against other publicly listed companies. Moreover, the risk management practitioners compare the outcomes of the risk management processes (the consolidated risk profile for Randstad Group) with externally available data e.g. risk profiles available from comparable companies in our sector. This helps to ensure that the risk profile as presented to, and discussed in the Boards, is a fair and appropriate reflection of the current situation. As a final refinement on the outcome of the risk management process, a comparison is made between the internally established risk profile with an AI generated risk profile and utilizing external data.