

# KELLY SERVICES, INC.

## CORPORATE GOVERNANCE PRINCIPLES

August 7, 2017

### **Board of Directors**

The Board of Directors (the “Board”) is responsible for overseeing the management of the business of Kelly Services, Inc. (the “Corporation” or “Company”). The Board’s primary responsibility is to provide effective governance over the affairs of the Company for the benefit of its shareholders by acting in good faith, on an informed basis, and with the honest belief that their decisions are in the best interests of the Company. At no time shall a director when acting in his or her capacity as a director of the Company allow personal interests to prevail over the interests of the Corporation and its shareholders. In discharging their obligations, directors may rely on, among other things, the honesty and integrity of the Company’s management, outside auditors, and advisors.

The following principles have been approved by the Board and, along with the charters of the Board committees, provide the framework for the governance of the Company. The Board recognizes the importance of effective governance practices, and regularly reviews these principles and other aspects of governance.

### **Responsibilities**

In addition to overseeing the Corporation’s business and monitoring its management, the Board’s responsibilities include, but are not limited to the following:

- review and, where appropriate, approve major financial and strategic objectives, business plans and actions, and monitor performance relative to achievement of those plans;
- consider long-range strategic issues and risks to the Company, including management’s actions to address and mitigate risks and including overseeing the operation of information and reporting systems or controls designed to inform of material risks;
- select, oversee, evaluate the performance of, and determine compensation of the Chief Executive Officer and oversee management succession planning;
- with the advice of the Chief Executive Officer, appoint, assess and determine compensation of senior management, and oversee their development;

- approve corporate policies and processes that promote and maintain the integrity of the Corporation; and
- the Board shall exercise reasonable oversight with respect to implementation and effectiveness of these policies and processes to include: accurate financial reporting, compliance with laws, rules, and regulations affecting the business of the Corporation, honest and ethical behavior, commitment to quality and customer satisfaction, dedication to service and personal responsiveness, professional excellence and high performance, innovation, creativity and open-mindedness, employee participation, contribution and teamwork, diversity, individual dignity and mutual respect and growth, profitability, and industry leadership.

### **Status as a Controlled Company**

The Nasdaq Global Market (Nasdaq) has established specific exemptions from its governance requirements for controlled companies. The Company is a “controlled company” by virtue of the fact that Mr. Terence E. Adderley, Executive Chairman and Chairman of the Board of Directors, controls the power to vote more than fifty percent of the Company’s outstanding voting stock.

A controlled company is not required to have a majority of its Board of Directors comprised of independent directors. Director nominees are not required to be selected or recommended for the Board’s selection by a majority of independent directors or a nominations committee comprised solely of independent directors, nor does Nasdaq require a controlled company to certify the adoption of a formal written charter or board resolution, as applicable, addressing the nominations process. A controlled company is also exempt from Nasdaq’s requirements regarding the determination of officer compensation by a majority of independent directors or a compensation committee comprised solely of independent directors.

A controlled company is required to have an Audit Committee composed of at least three directors, who are independent as defined under the rules of both the Securities and Exchange Commission (SEC) and Nasdaq. Nasdaq further requires that all members of the Audit Committee have the ability to read and understand fundamental financial statements and that at least one member of the Committee possess financial sophistication. The independent directors must also meet at least twice a year in meetings at which only they are present.

The Corporation complies voluntarily with the listing standards of Nasdaq that otherwise do not apply to controlled companies, except that the Corporate Governance and Nominating Committee is not composed entirely of independent directors.

## **Director Qualifications**

The Board has established certain competencies, personal attributes, and considerations that are designed to provide the Corporate Governance and Nominating Committee with specific criteria to aid in the identification and screening of director candidates. Recommendations made by the Corporate Governance and Nominating Committee of candidates for consideration as director nominees are based upon the criteria set forth in these Principles as well as any other relevant factors that the Committee may from time to time deem appropriate, including the current composition of the Board, the balance of independent and non-independent directors, the need for financial experts on the Audit Committee, and the evaluation of all prospective nominees.

Director candidates should possess the following competencies and personal attributes:

- the highest personal and professional ethics, integrity and values;
- a reputation, both personal and professional, for maturity, strength of character, and sound judgment;
- the ability to comply with the Company's Code of Business Conduct and Ethics;
- highly accomplished in their respective fields;
- an understanding of the complexities of business organizations and demonstrated leadership skills;
- demonstrated leadership and other relevant experience with complex organizations of similar size and global scope;
- independence of thought and leadership, with the ability to state independent opinions in a constructive manner;
- financial acumen and the ability to read and understand fundamental financial statements;
- independent director candidates must meet the independence requirements established by Nasdaq, the Securities Act of 1934 and SEC rules and regulations, and also review with the Executive Chairman and Chairman of the Board of Directors or Lead Director, any relationships of the director or director nominee with competitors, suppliers, customers, or service providers to the Company that might be construed as an irreconcilable conflict of interest;
- a willingness to devote sufficient time to become knowledgeable about the Company's business and to carry out his or her duties and responsibilities

effectively, taking into consideration directorships with other public companies;  
and

- have an intention to serve a sufficient time to make a meaningful contribution to the Board of Directors.

In addition, the selection of director nominees shall include the following considerations:

- the Board has sought active and former chief executive officers, chief operating officers, or substantially equivalent level executive officers of a complex organization such as a corporation, university, or major unit of government, or a professional who regularly advises such organizations;
- in recognition of the nature of the Company's business, the Board has also sought to have some directors with relevant experience in the business services industry or human resources and workforce solutions field;
- the resulting Board is a diverse body, with diversity reflecting gender, age, ethnic background, and professional experience; and
- in light of the Company's status as a controlled company, the Board has given consideration to the representation of the controlling shareholder.

### **Board Selection**

The Corporate Governance and Nominating Committee is responsible for determining the competencies and personal attributes required of director nominees in the context of prevailing business conditions, and for making recommendations to the Board.

The Board of Directors has not adopted a policy by which shareholders may recommend nominees to the Board of Directors because of the Company's status as a "controlled company."

### **Director Independence**

The Corporate Governance and Nominating Committee shall follow the independence requirements in the Nasdaq listing rules in making independence determinations with respect to each director and director nominee recommended for election at the annual meeting of shareholders. Each director shall keep the Governance and Nominating Committee fully and promptly informed as to any development that might affect the director's independence.

## **Service on Outside Boards**

While there is no specified limit on the number of other public boards on which a director may serve, the number of board memberships shall be a consideration, along with any other time commitments a director or nominee may have, in determining his or her ability to serve effectively. Directors must be willing and able to devote sufficient time to carrying out their duties and responsibilities effectively and have an intention to serve a sufficient time to make a meaningful contribution to the Board and the Company. A director should engage in discussion with the Executive Chairman and Chairman of the Board or Lead Director prior to accepting an invitation to serve on an additional public company board or accepting an invitation to chair a committee of a public board they currently serve on.

## **Size**

The number of directors constituting the whole Board of Directors shall be no fewer than five and no more than eleven, which number shall be fixed, and may be modified from time to time, by resolution of the Board of Directors. The size of the Board should not exceed a number that, as determined by the Board, will permit it to function efficiently in discharging its duties.

## **Tenure**

Term limits are not established. The perceived value of term limits are outweighed by the contributions of directors who have been able to develop, over a period of time, increasing insight into the Company's operations and strategic direction, and, therefore, provide an increasing contribution to the effectiveness of the Board as a whole.

An independent or non-officer director shall, if requested by the Board, tender his or her resignation from the Board of Directors upon a material change in occupation or duties, resignation, termination, or retirement from his or her current occupation. A director shall promptly notify the Company's Corporate Secretary of any such change in current occupation or duties and provide a description thereof to the Company's Corporate Secretary. Following receipt of such notice, the Corporate Secretary shall notify the Corporate Governance and Nominating Committee Chairman and Vice Chairman. The Corporate Governance and Nominating Committee shall determine whether the change in occupation or duties constitutes a material change in principal employment responsibilities. If the Corporate Governance and Nominating Committee makes such a determination, it shall request that such director tender his or her resignation from the Board. The Corporate Governance and Nominating Committee shall then make a recommendation to the Board regarding whether the Board should accept such resignation.

An officer-director shall tender his or her resignation from the Board of Directors at the time of resignation, retirement, or termination as an officer of the Company.

Directors who have reached the age of 70 shall not be eligible for re-election, absent approval of the Board. Terence E. Adderley may continue to serve as a director beyond his seventieth birthday.

The Board of Directors, upon recommendation of the Corporate Governance and Nominating Committee, retains sole discretion to determine whether to accept or reject any director resignation. On the recommendation of the Corporate Governance and Nominating Committee, the Board may waive these requirements on an annual basis as to any Board member, if it deems such waiver to be in the best interests of the Company and its shareholders.

Until the Board determines whether to accept or reject a director's resignation, the director shall continue to serve as a director; provided, however, no director who has tendered his or her resignation shall participate in the deliberations to determine whether their own resignation shall be accepted or rejected.

### **Director Orientation and Continuing Education**

An understanding of the Company's business is required to enable a director to make a substantial contribution to the Board. New Board members will participate in an orientation program to become familiar with the Company's business, including its history, vision, strategic direction, core values, ethics, corporate governance practices, financial statements including other financial matters, key policies, key issues, and senior leadership. The program may include review of written materials, personal briefings by the senior management, and visits to Company facilities as appropriate. Directors can gain and maintain an understanding of the industry and environment in which the Company operates through briefings from management, reviewing industry publications and press and analyst reports, and participating in educational programs. To assist the directors in discharging their duties, directors are encouraged to participate in continuing director education programs that include internal and external presentations on business, financial, accounting, legal, and other subjects affecting the Company's business. Reasonable costs and expenses incurred for continuing education will be reimbursed by the Company.

### **Meetings**

The Executive Chairman and Chairman of the Board in consultation with the Lead Director, shall establish the annual schedule of Board meetings. In general, regular meetings following the close of each calendar quarter and a separate meeting dedicated primarily to strategic planning for the Company are desirable for the Board to properly discharge its duties. The Executive Chairman and Chairman of the Board, the

Chief Executive Officer, and a majority of directors then in office may call special meetings in accordance with the notice provision set forth in the Company's By-Laws.

The Executive Chairman and Chairman of the Board shall regularly attend and preside at meetings of the Board of Directors and stockholder meetings. The Executive Chairman and Chairman of the Board shall lead the Board in the exercise of its corporate oversight functions, including assignment of specific tasks to Board committees or individual members of the Board in furtherance of the Board's responsibilities as set forth in these Corporate Governance Principles.

The Executive Chairman and Chairman of the Board and the Chief Executive Officer with input from the Lead Director shall establish the agenda for each Board meeting. Directors may suggest the inclusion of items on the agenda, request the presence of or a report by any member of the Corporation's senior management or, at any meeting, raise subjects that are not on the agenda for that meeting.

Absent unusual circumstances, directors are expected to attend all meetings of the shareholders, all meetings of the Board of Directors, and all meetings of the committees on which the directors individually serve and to familiarize themselves with the materials distributed prior to each Board or committee meeting. The Executive Chairman and Chairman of the Board and Chief Executive Officer shall ensure information flows to the Board to facilitate understanding of, and discussion regarding, matters of interest to or concern to the Board. The Executive Chairman and Chairman of the Board and the Chief Executive Officer shall review and approve the Board package as prepared by management, in advance of distribution of these materials to the Board. Meeting materials are generally distributed at least five business days prior to a meeting in order to allow directors the opportunity to prepare. Highly confidential or sensitive matters, and matters that arise shortly before a Board meeting, may be presented and discussed without prior distribution of background material. Meetings should include sufficient time for full and open discussion.

Minutes of each meeting shall be prepared under the direction of the Executive Chairman and Chairman of the Board and Lead Director and circulated to each member of the Board for review.

The Executive Chairman and Chairman of the Board shall oversee the preparation of proxy materials for meetings of the stockholders.

### **Executive Chairman and Chairman of the Board - Additional Duties**

The Executive Chairman and Chairman of the Board shall facilitate communication between the directors and management (both inside and outside of meetings of the Board), maintain visibility as the Executive Chairman and Chairman of the Board to the investment community and the general public, and attend and participate in external

meetings and presentations as deemed by the Executive Chairman and Chairman of the Board to be appropriate and convenient.

### **Lead Independent Director**

If the director appointed to serve as Executive Chairman and Chairman of the Board is not an independent director, the independent directors shall elect one of the independent directors to serve as the Lead Director. The Lead Director shall ensure that the Board functions independent of management and shall have such duties and authority as the independent directors shall from time to time specify, including presiding at all Board and shareholder meetings if the Executive Chairman and Chairman of the Board is not present. The Lead Director will also be responsible for providing advice and counsel to the Executive Chairman and Chairman of the Board and Chief Executive Officer as necessary and chairing executive sessions of the independent directors. The duties and authority of the Lead Director shall be consistent with these Corporate Governance Principles.

### **Executive Sessions of Independent Directors**

The independent directors shall meet in executive session at least twice annually. The Lead Director will chair these executive sessions, advise the Executive Chairman and Chairman of the Board of the schedule of executive sessions and will provide feedback to the Executive Chairman and Chairman of the Board and the Chief Executive Officer on discussions in executive sessions.

### **Director Access to Management and Independent Advisors**

The Board has complete access to the employees of the Company. Any meeting or contact requested by a director may be arranged by the Executive Chairman and Chairman of the Board, Chief Executive Officer, General Counsel, the Corporate Secretary, or directly by the director. It is assumed that Board members will use judgment to ensure that any contact with Company employees is not disruptive to the business operations of the Company and when appropriate they are expected to copy the Chief Executive Officer on any written communications resulting from such contact.

The Board has the authority to retain the legal, financial, and other expert advisors that it deems appropriate to assist the directors in the discharge of their duties. Management will cooperate with any such engagement and will ensure that the Company provides adequate funding.

In discharging his or her responsibilities, a director is entitled to rely in good faith on reports or other information provided by management, independent directors, and other persons as to matters the director reasonably believes to be within such other person's



professional or expert competence and who has been selected with reasonable care by, or on behalf of, the Corporation.

### **Management Evaluation and Succession Planning**

The Executive Chairman and Chairman of the Board together with the Chairman of the Compensation Committee shall oversee the development of appropriate performance objectives for the Chief Executive Officer annually, present the proposed objectives to the Compensation Committee (the “Committee”), monitor performance against Committee approved quantitative and qualitative objectives, assess and present performance results to the Committee for evaluation, and with the Chairman of the Compensation Committee, present the Committee’s performance evaluation to the Chief Executive Officer.

At least annually, the Chief Executive Officer shall meet with the Committee to review the performance of the members of senior management and other critical positions, including potential succession plans. In light of the importance of executive leadership to the success of the Company, the Board will also work with senior management to ensure that effective plans are in place for management succession. The Board will evaluate potential successors to the Chief Executive Officer and certain other senior management positions.

### **Board Committees**

The present Board Committees are the Audit, Compensation, and Corporate Governance and Nominating Committee. Each Committee shall have a written charter of responsibilities, duties, and authorities, which shall be reviewed at least annually by the Board. Each Committee shall report to the full Board with respect to its activities, findings, and recommendations after each meeting held.

The Corporate Governance and Nominating Committee shall recommend to the Board assignments of Board members to standing and temporary Committees and the appointment of Committee chairs and vice chairs, subject to the provisions of each Committee’s charter.

Each Committee shall be composed of independent directors, except Mr. Adderley and other directors representing the Adderley Family interests, may serve as members of the Corporate Governance and Nominating Committee.

Each Committee shall have the full power and authority to retain, at the Company’s expense, consultants, legal counsel, or others, as the Committee deems necessary or appropriate with respect to specific matters in its purview.

Each Committee Chair, in consultation with other Committee members and management, shall establish agendas and set meetings at the frequency and length appropriate and necessary to carry out its responsibilities. Vice Chairs provide assistance to the Committee Chair as needed, and in their absence serve as Committee Chair. Each committee shall meet in executive sessions from time to time as required or requested by any member.

The Executive Chairman and Chairman of the Board shall participate in meetings of the standing committees as the Executive Chairman and Chairman of the Board deems appropriate and convenient.

### **Board and Committee Evaluation**

The Board will conduct an annual evaluation of the respective performance of the full Board, as well as individual Committees. The Corporate Governance and Nominating Committee shall organize and oversee the evaluation of the effectiveness of the Board and its Committees. The evaluation process shall include an assessment of Board and Committee effectiveness and independence, access to and review of information from management, responsiveness to shareholder concerns, maintenance of standards of business conduct and ethics, and maintenance of these Guidelines. The purpose of the evaluation is to increase the effectiveness of the Board as a whole. The evaluation is intended to facilitate an examination and discussion by the entire Board and each Committee of its effectiveness as a group in fulfilling its Charter requirements and other responsibilities, its performance as measured against these principles, and areas for improvement. The results of this evaluation process will also be used to assess critical skills required of candidates for election to the Board and make recommendations to the Board with respect to assignments of Board members to the various committees.

### **Shareholder Communications with the Board**

Shareholders may communicate with the Board of Directors. Such communications must be in writing, addressed to the Board of Directors and mailed to the Corporate Secretary, c/o Kelly Services, Inc., 999 West Big Beaver Road, Troy, MI 48084. All written shareholder communications will be reported to the Board of Directors at its regularly scheduled meetings.

### **Code of Business Conduct and Ethics**

The Board of Directors has adopted a Code of Business Conduct and Ethics (“the Code”) that applies to all directors, officers, and employees to help them recognize and deal with ethical issues, deter wrongdoing, provide mechanisms to report and prevent dishonest or unethical conduct, and help foster a culture of honesty and accountability. The Code addresses conflicts of interest, anti-bribery/anti-corruption, insider trading,

corporate opportunities, confidentiality and privacy, protection and proper use of company assets, fair dealing, behavior in the workplace, compliance with laws, rules and regulations and company policies, risk tolerance, anti-human trafficking, reporting dishonest or unethical behavior, public company reporting requirements, and provides an enforcement mechanism.

### **Risk Oversight**

The Board is responsible for understanding the principal risks associated with the Corporation's business on an on-going basis and it is the responsibility of management to ensure that the Board and its Committees are kept informed of these risks on a timely basis.

### **Director Compensation**

The Compensation Committee annually reviews director compensation practices to ensure the Company's directors are fairly compensated in relation to other publicly traded companies of comparable scope and size, and that compensation is designed to align directors' interest with the long-term interests of stockholders. Changes in director compensation, if any, are recommended by the Compensation Committee and considered by the full Board. Non-management directors receive an annual retainer for Board service; non-management directors who serve as Chair of a standing committee may receive an annual retainer for such service. Directors who are Company employees shall not be compensated for their services as directors.

### **Director and Executive Management Stock Ownership**

The Company and its shareholders are best served by operating under a long-term strategy that encourages the achievement of superior performance results. Stock ownership is an important tool to strengthen the alignment of interests of shareholders, directors, and Company management. As such, the Company has established stock ownership guidelines for non-employee directors and also executive stock ownership requirements for senior officers.

### **Annual Review**

The Corporate Governance and Nominating Committee will annually consider whether these guidelines continue to reflect the goals, functions, and needs of the Company, the Board, the shareholders, and the controlling shareholder and recommend changes, if appropriate, to the full Board.